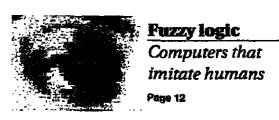


European dream PepsiCo's new ambitions





# FINANCIAL TIMES

#### Secretary-general of Mexican ruling party assassinated

· Europe's Business: Newspaper

The secretary-general of Mexico's ruling party, Mr José Francisco Ruiz Massieu, was shot dead in the centre of Mexico City, shattering the fragile politi-cal peace following last month's presidential elections. Mr Ruiz had been tipped as the country's next interior minister. Mexican financial markets dropped sharply, with shares falling by 2.4 per cent.

Wellcome criticised in US: UK drug company Wellcome was criticised by the US Food and Drug Administration for manufacturing shortcomings in its main north American plant. Page 18; A welcome for Coats' Walls; Page 9; Lex, Page 16

Plague toll grows in India: A further 500 cases of suspected pneumonic plague brought the total in India to 1,400. There were three more deaths, taking the official toll to 47. Page 4

UK companies censured over Pergau dam: The government censured British companies Balfour Beatty, Trafalgar House and GEC for providing incomplete information about the financing of the deal to build Malaysia's Pergau dam. Page 9

Alcatel profits warning: French engineering. transport and telecoms group Alcatel Alsthom warned of a sharp fall in full-year profits to about FFr4bn (\$754m), compared with FFr7.06bn in 1993 because of losses in Germany and difficulties in Brazil and Turkey. Page 17; Lex, Page 16

China's leaders seek to tighten grip: China's ruling Communist party has approved a blueprint aimed at bolstering its hold on power.

Japan's opposition forms voting bloc: Nine Japanese opposition parties and groups formed a parliamentary voting bloc in a move towards the creation of the country's first strong opposition party for nearly 50 years. Page 4

Chemical Banking stands firm on loans: Chemical Banking is prepared to lose its dominant position in the US syndicated loans market rather than give in to pressure for looser terms, chairman and chief executive Walter Shipley said. Page 17

EU nears deal on car fuel consumptions European Union environment ministers are close to agreeing guidelines for big cuts in fuel consumption of new cars, German environment minister Klaus Töpfer said. Page 2: New Range Rover, Page 9

Dutch group buys into Campari: Dutch food and beverages group BolsWessanen is to take a stake of at least 33 per cent in Davide Campari-Milano, maker of Campari, one of the few remaining independent international drinks brands.

UniChem in £58.4m rights issue: Pharmaceuticals retailer and wholesaler UniChem announced a £58,4m (\$92.3m) rights issue to under pin its expansion as one of Britain's largest suppliers of healthcare products. Page 18

Axa to raise stake in US insurer: French insurance group Axa is to take majority control of Equitable, the US life insurer, by the end of the

Russia seeks overhaul of diamond pact: Yevgeny Bychkov, chairman of Russia's committee on precious metals and stones, said his country's agreement with South African diamond group De Beers was "far from satisfactory" and must be changed. Page 3

**NatWest plans Indian investment:** National Westminster Bank of the UK is planning to invest about £10m (\$15.8m) in HDFC Bank, a newly-formed oint venture Indian bank. Page 21

Threat to force EU telecoms competition: Karel Van Miert, European competition commissioner, said he may force through the liberalisation of telecoms networks after industry ministers failed to back moves to open them to competition.



A STATE OF THE PARTY OF THE PAR

Tomorrow's Financial Times carries a special 32-page survey on world economic and financial developments. The survey, published on the eve of this year's IMF/World Bank annual meetings in Madrid, provides in-depth and up-to-the-minute coverage of the global economy in a period of profound and rapid change.

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# Threat to Russian reform as rouble falls further

A further plunge in the value of the Russian rouble yesterday raised fears that the country's economic reforms could be derailed and that the growing confidence of foreign investors would be undermined.

The rouble fell 6 per cent on the Moscow interbank currency exchange, closing at Rbs2,631 to the dollar. The latest fall means that the rouble has lost 16.5 per cent against the dollar this month. The central bank, which has spent \$2.5bn supporting the currency, has indicated that it

will stop intervening to preserve remaining hard currency reserves, which are estimated at

The depreciation, which is expected to fuel inflation of around 8 per cent this month after a low in August of 4 per cent, might force the government into panic measures. It also risks delaying aid from international financial institutions, which would be wary of giving money to a government that was not in control of its finances.

A senior western financial official in Moscow said: "We may get a crisis earlier than we expected

because of what has happened on the rouble front . . . it's starting to feel like loss of control."

Senior officials in Washington, where Russian president Boris Yeltsin discussed economic issues with US president Bill Clinton yesterday, echoed the promise made on Monday by Mr Lloyd Bentsen, the treasury secretary, that Russia could expect up to \$10bn immediate aid, mainly from the International Monetary Fund, if it adopted a

tough reform programme. Queues formed yesterday at Moscow's currency exchange points, as Muscovites attempted

prices which at some points dropped to 2,750 to the dollar. Some of those waiting said they no longer trusted the government

to protect the value of the rouble. The fall in the currency was the largest since the 7.3 per cent drop which came when Mr Yegor Gaidar, the former prime minis-ter, left the government of Mr Victor Chernomyrdin in January. The crisis may force the central bank to push up interest rates, despite its wish to reduce rates to encourage growth. "If the government very quickly returns to a

tight monetary policy then a

period of high inflation - which is now inevitable - could be just an interlude. But if not it could be much more dangerous," Mr Gaidar said yesterday.

Portfolio investment in the Russian economy, spurred by the low prices of many Russian stocks, has been flowing into the country at the rate of more than \$200m a month.

Investment in production and service facilities has also been growing but at a relatively low

Rouble fall threatens to undo everything, Page 3



# sees more growth in industrial nations

Global economic outlook 'brightest for four years'

By Peter Norman, Economics Editor, in Madrid

Forecasts for growth in the industrialised world were yesterday revised upwards for the first time this decade by the International Monetary Fund, which declared that the recession and slow growth of the early 1990s

Describing the upwards revisions as a "happy event", Mr Michael Mussa, director of the IMF's research department, told a news conference that the prospects for the world economy were brighter than at any point in the past three to four years.

The IMF expects the economies of the industrialised nations will grow by 2.7 per cent this year and next compared with its previous forecasts, published five months ago, of 2.4 per cent for 1994 and 2.6 per cent for

According to its latest World Economic Outlook, published last night ahead of the annual meetings of the IMF and the World Bank, global output is expected to expand by 3.1 per cent this year and 3.6 per cent in 1995, or close to the trend rate of growth of the past two decades.

After revising upwards its esti-mate of last year's world trade

growth to 4 per cent from 2.4 per cent, the IMF expects continued strong expansion in the years ahead. It expects world trade will grow by about 7 per cent this year and just under 6 per cent in 1995 and therefore at a faster rate than the average 5 per cent annual growth of the past 20

Mr Mussa said the recovery in the industrial world was accompanied by encouraging signs of

is set to expand ....

growth in Africa and a continue strong performance in Asia and some Latin American countries. Growth in the developing countries as a group is expected to be twice as strong as in the industrial countries this year and next. Although problems exist, notably in the former Soviet countries. activity is beginning to pick up in central and eastern Europe while recovery in the Middle East

is expected in 1995. Mr Mussa said unemployment now seemed to have passed its peak in continental Europe and was "on the downslope" some months earlier than expected in

Continued on Page 16



# Ferry tragedy may fuel safety fears

By Hugh Carnegy and Christopher Brown-Humes in Stockholm and Charles Batchelor in London

Officials from Sweden, Finland and Estonia yesterday began investigating the capsize of the ferry Estonia in the Baltic Sea amid reports that water had flooded in through the bow doors. More than 800 lives were lost in Europe's worst maritime disaster

since the second world war. The 21,794 tonne ferry, sailing from the Estonian capital of Tallinn to Stockholm, sank within minutes early yesterday 40km south west of the Finnish island of Utö. There were 964 passengers and crew aboard, and a full cargo of cars and heavy trucks.

The sinking is expected to renew calls for improvements in roll-off ferries present particular problems because of their large open car and truck decks. The lack the dividing bulkheads which give other vessels additional protection against capsiz-

Shipping nations agreed on tougher rules governing the stahility of ships under the Safety of Life at Sea convention in 1990. although Britain, Sweden and

dards which take effect on Satur-

Last night, Mr Raimo Tiilikalnen, leader of the Finnish rescue operation, said helicopters and ships sent to the area had rescued 126 people and recovered 42 bodies. But he said 796 people were still missing and officials said there was little hope of finding anyone alive in the cold Baltic waters. Estline, the joint

Can Conservative Management

Lead to Financial Strength in

Today's Banking Environment?

ferry safety despite international eight other European nations efforts to raise standards. Roll-on have agreed even higher stansudden capsize and sinking of the ship. It said the last radio message from the bridge reported the engines had failed and the ship

was listing badly. However, crew member Henrik Sillaste said he saw water burst into the car deck past the bow loading ramp shortly before the

Continued on Page 16 Safety rules that failed, Page 2

# Companies face huge extra costs after pensions ruling

By Norma Cohen, Investments Correspondent

a significant victory in the Eurowith a ruling that could give many of them pension rights for The landmark ruling, one of a

employers should equalise pension rights for men and women. The court ruled that barring part-time workers from pension scheme membership could amount to indirect discrimination against women, and must be stopped. Moreover, it said employers should have realised this in 1976 following a previous

back nearly 20 years.

World Trade News .

of the judgment which will reduce future pension costs. This is because employers which have typically allowed women more generous benefits through retirement at 60 may now cut these and force women to work until they are 65, the same as men.

The UK government's actuary has calculated that, at worst, yesterday's ruling on part-timers could cost British industry £7bn (\$11bn). In the Netherlands, where over 30 per cent of the workforce is part-time, employers face a bill of up to F1 1bn (\$578m). The six separate cases decided

yesterday were brought by individuals and pension fund trust-ees seeking clarification of the court's key Barber v GRE ruling in May 1990. This concluded that employers could not offer mem bers of one sex better benefits than the other. But it has been unclear since then just how equality should be applied.

CONTENTS \*\*\*

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The effect of the court's rulings will be to encourage employers to reduce pension rights for women, said Mr John Cupliffe, partner at

McKenna and Co, one of the UK law firms involved in the case. "Barber is a man's judgment," he

Pension consultants said ves terday the ruling may not impose as harsh a burden as employers groups fear. Employers which can provide "objective justification" for barring part-timers from joining their pension schemes will not be required to do so for

Also, the court ruled, any pension scheme member claiming retrospective membership in a scheme requiring employee contributions will have to pay all past contributions to receive ben-

•	Wingepine of decision of
ŧ	part-time employment, Mr Tin
-	Melville-Ross, director-general of
S	the UK Institute of Directors
1	said: "The judgment will cos
7	British industry billions of pounds but will have little effect
S	in other member states which d
>	not have the great advantages o
	Britain's funded company pen
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26 38	Trachonal Options38	
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European employers face costs of billions of dollars after part-time workers - mostly women - won pean Court of Justice yesterday

series in Strasbourg, came after years of uncertainty about how

ruling by the same court. Because that decision was ignored, part-timers should have the right to claim benefits dating

Employers' groups in the UK expressed relief at other elements

Leader Page

either future or past service.

Attacking the decision on

# Republic National Bank

In the June 24, 1994 analyst's report, CS First Boston notes: "In our

opinion, Republic has developed a flexible entrepreneurial approach in

In addition, RNB has approached new business both cautiously and

prudently, making sure the product provides consistent profitability and gen-

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Republic National Bank, the answer to that question is an

THE FINANCIAL TIMES LIMITED 1994 No 32,484 Week No 39

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FT World Actuaries

Equity Options

Int. Bond Service

Italian unions

call for protests

Italian trade union leaders yesterday called for countrywide

protests in the run-up to a general strike on October 14 against

the Berlusconi governmment's austerity proposals in the 1995

budget. Plans for a four-hour general stoppage were formalised

yesterday in the wake of Tuesday's night breakdown in talks

between the government and the unions over pension reform and public spending cuts. Mr Silvio Beriusconi, the prime

minister, presenting the 1995 budget at a press conference

yesterday, described the general strike as "an error" and

insisted the budget had sought to spread the burden of sacri-

fices fairly. The main thrust of the proposals has already been

amply leaked; but the government at the last minute has

decided to raise from L48,000hn (£2hn) to L50,000hn the total sought in spending cuts and from new revenues. This will

reduce the 1995 budget deficit to 8 per cent of GDP and allow

for a primary surplus (the difference between receipts and

expenditures less debt service outlays) of 2.1 per cent of GDP.

The government has also sought to stiflen some of its proposals on pension reform within the last 24 hours - a move

prompted by the hardening of the unions' position and

designed to impress the financial markets. Robert Graham.

France's Groupe Bull has settled the arson case brought by its

insurers in an Illinois court this week, and has received a "substantial" but undisclosed payment from the insurance

companies. New Jersey-based Allendale Mutual Insurance

Company and its London-based affiliate, Factory Mutual Inter-

national agreed to withdraw their claim that Bull had deliher-

ately burned a Zenith Data Systems warehouse at Seclin,

France, in 1991, resulting in the loss of large computer inven-

tories. In return, Bull has withdrawn its claim that Allendale

and FMI acted in bad faith to avoid paying Bull's insurance

claim. The two sides are still in dispute over the amount of

insurance coverage Bull had in place at the time of the fire. That dispute will be decided in Illinois in early January. The

settlement of the arson charges ends nearly three years of

pre-trial wrangling, and came two days before the presiding judge would have ended arguments in the case. Laurie Morse,

Mr Theo Waigel, German finance minister, said yesterday that

Lixembourg's days as a tax-free haven were numbered as

pressure grew within the European Union to bring the Grand

Duchy's tax regime in line with other countries. An estimated

DM300bn (£123bn) of German funds has been switched to

Luxembourg in recent years following tax changes in Ger-

many. "Free movement of capital only makes sense if you don't have any tax oases," he said. The German finance

minister has talked to the Swiss and the Austrians, who also

manage exiled German funds, and said the Luxembourg gov-

Waigel also underlined his determination to make the D-Mark

part of a common European currency but suggested the pro-

cess could be made easier if the future currency had a differ-

ernment was ready to reach a "constructive solution

Bonn targets tax haven

Bull settles arson case

EUROPEAN NEWS DIGEST

-Russial Si overhaus

## Tragedy leaves Swedes in shock

By Hugh Carnegy in

News of the Estonia ferry disaster yesterday instilled a deep sense of shock across Sweden, a country more than most unaccustomed to such a iolting catastrophe.

"Nothing like this has ever happened to us before," said a journalist on a leading newspaper. "We have not been involved in the great wars of this century, we have not suffered from natural disasters. our soldiers in the Bosnian peace-keeping operation. It will take a long time for the country to get over this." Both Mr Carl Bildt, the out-

going prime minister and his successor, Mr Ingvar Carlsson. described the ferry sinking, in which more than 500 of the 838 victims were Swedish, as "the greatest catastrophe in Sweden's modern history.

Sweden, often joked about for its northern reserve and tranquillity, is more used to nobilising its aid agencies to help the victims of disaster in faraway places than to coping with trauma at home. Yesterday, crisis groups were set up in many cities and towns to offer support and counselling for bereaved families.

The sheer scale of the fatalities had a profound impact on a nation of 8.5m people. But the shock was heightened by the popularity of Baltic cruises among ordinary Swedes, thousands of whom take short excursion trips on similar ferries to Finland, St Petersburg and the newly-independent Baltic states.

The victims yesterday included a group of 53 pensioners from the central city of Norrköping, 44 retired trade unionists from the western town of Borlange, 70 office workers from the Stockholm county police and 20 pupils from a bible school in the eastern city of Jönjöping.

Mr Bildt, like many Stockholmers yesterday, recalled that he had himself sailed on the Estonia and said he knew several people who were and joins with the relatives and their families," he said.

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# Safety rules that failed the Estonia

It was a modern ship, well maintained and Swedish owned. But are even the best ro-ro ferries vulnerable?

Fransport Correspondent and

f regulation alone could prevent ferries sinking. then the Estonia would never have gone down in the icy waters of Baltic.

Shipping safety has engaged the attention of dozens of committees sitting for thousands of hours in recent years and the conventions which roll out of the London headquarters of the International Maritime Organisation are constantly being revised and upgraded.

All this earnest activity has still not prevented heavily laden ferries sinking in the coastal waters of the Philippines, Indonesia and Bangladesh in recent years with enormous loss of life. The regulations are international in their scope but the losses have been their most severe in the

It took the sinking of the

developing world.

Herald of Free Enterprise with the loss of 193 lives in March 1987 to show that standards needed to be raised even in the traditional shipping nations. An official inquiry concluded that the British ferry, owned by P & O. sank because a crewman left the bow doors open. The ship's officers failed to notice because of a culture of "sloppiness" throughout the P & O subsidiary that operated

such as higher vehicle decks, closed circuit TV supervision of how and stern doors, better emergency lighting, loading and stability checks, and pas-

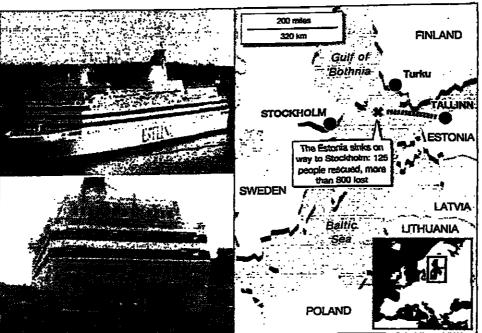
senger and vehicle listing. The loss of the Herald of Free Enterprise prompted the British government to push for a stricter interpretation of the international safety rules than most countries were prepared to accept.

The result has been that the UK and nine other European nations, including Sweden have imposed tougher regulations on the stability of ferries and have insisted on their more rapid application to existing, as well as to new, vessels. These rules come into effect in two days' time.
These stability rules are

unlikely to have had any impact on the Estonia, however, which was regarded as a well found vessel designed to operate in the frequently icebound Baltic. Investigators will undoubtedly be looking closely at how the crew carried out their duties.

And for all the wealth of safety legislation there has been little progress in overcoming the biggest single safety problem on roll-on rolloff ferries - the open vehicle decks running from one end of the ship to the other, usually with doors at one or both ends. One survivor of yesterday's

sinking suggested that one of The inquiry recommended a the forward loading ramps of series of safety improvements,



erly while another report suggested that the loading door seals were faulty.

Shipowners maintain that ro-ro ferries are viable only if large numbers of vehicles can be loaded and unloaded quickly, allowing rapid turnround times and frequent sailings.
This means that neither

comparatively small quantities of water entering the vehicle decks can cause the ship to develop a heavy list, and cap-This problem, called the free surface effect, was what sank

space nor time is wasted, but

the Herald. It can be prevented, but only by inserting vertical bulkheads across the vehicle deck, which would slow loading.
For all the good intentions

transformed into international safety agreements, the IMO and governments around the world have come to realise that effective enforcement of the rules is still woefully lacking. The IMO is shifting its atten-

tion to ensuring that its many maritime agreements are enforced and recently reached agreement to give port authorities greater powers to inspect visiting shipping. Traditionally the country under whose flag a ship sails is responsible for ensuring that the vessel is well built and well maintained. But the failure of many "flags of convenience" to take these duties seriously has seen power shift to the authorities in the port where the ship docks.

The west European countries

port organisations while similar regional groupings of "port states" are being put together in other parts of the world.

Estonia, newly independent after the break-up of the Soviet Union, has yet to establish a track-record in the supervision of the ships which sail under its flag. But the Swedish involvement in the ship's ownership is seen as a guarantee of

It will be some time before the official enquiries which are just beginning provide an explanation for the loss of the Estonia. But the loss of a relatively modern vessel in rough but not unusual seas raises worrying questions about the effectiveness of the regulations

# Lost symbol of economic rebirth in Baltics

By Hugh Carnegy and Christopher Brown-Humes in

The Estonia was until yesterday's disaster a powerful symbol of blossoming trade and political ties between the Nordic countries and the newly independent Baltic

Sweden and Finland especially have built up economic and political links with since the three became inde-

strongly supported the three in their efforts to remove Russian troops from their countries and have been the quickest among western countries to establish joint ventures and other trade

Estline, the company which operated the Estonia, is jointly-owned by the Swedish shipping company Nordström & Thulin and the state-owned Estonian Shipping Company. It was set up with a 10-year

Estonia loosened. Although passenger and

freight demand was initially disappointing. Estline began to take off two years ago and bought the Estonia early last year as its prestigious flagship, replacing a smaller ferry. The cost of \$42m (£26.5m) was largely financed by the European Bank for Reconstruction and Development.

The ship

pated a rapid expansion of its name and its additional links when Moscow's hold over function as a training centre for the Estonian hotel and restaurant industry.

The growing passenger and freight tonnage using the Estonia was in line with the fast-growing trade between Sweden and Estonia. Estline passenger numbers tripled from 91,700 in 1990 to 280,000 last year, prompting the company to charter a second ship to double its capacity.

this year alone, while imports from Estonia reached SKr500m in the first six months of this year, compared with just

SKr60m in all of 1991. Economic ties between Estonia and Finland have grown even faster, with Finn-ish exports to Estonia expected to approach FM3bn (£375m) this year, compared with less than FM400m in 1991. At least three Estonian and two Finnoperate regular services on the

#### ent name. "We are bringing the D-Mark into a European currency and we could perhaps refer to it as the Euro-Mark, or refer to the Dutch currency as the Buro-Guilder. Such psychological measures should be thinkable to allay peoples' fears," he said. "We cannot go on talking about getting rid of the D-Mark." Michael Lindemann. Bonn

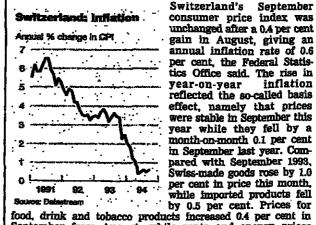
Irish electricity jobs to go The ESB, Ireland's state electricity company, plans to shed 2,900 jobs, nearly one third of its workforce, and has given trade unions until the end of next month to agree a five-year rationalisation programme. The programme, intended to cut s arawn i consulting firm McKinsey & Co. The bulk of the jobs, 1,475, are to go in power generation with another 1,000 jobs to be lost in customer services and 400 in head office administration. McKinsey concluded that the ESB was efficient in the areas of fuel purchase and fund management but it did not match international standards of efficiency in other areas. The ESB trade unions said they would seek fewer redundancies. They opposed McKinsey's approach of comparing the ESB with larger more efficient North American utilities. The ESB

#### ECONOMIC WATCH

companies. John McManus, Dublin.

#### Swiss consumer prices stable

shake-up is the latest in a series of crises at Irish state-owned



Switzerland's September consumer price index was unchanged after a 0.4 per cent gain in August, giving an annual inflation rate of 0.6 per cent, the Federal Statis-tics Office said. The rise in year-on-year inflation reflected the so-called basis effect, namely that prices were stable in September this year while they fell by a month-on-month 0.1 per cent in September last year. Com-pared with September 1993, Swiss-made goods rose by 1.0

. . . .

\* \*

September from August, while rents and energy prices declined 0.1 per cent. Transport and telecommunications prices, meanwhile, also fell 0.1 per cent.

Belgian September year-to-year inflation edged up to 2.46 per cent from 2.44 per cent in August, provisional official

figures showed. Finland's preliminary current account was in balance in August after a revised FM2.9bn (£360m) surplus in July, according to figures released by the Bank of Finland. July's surplus was revised down from a FM3bn surplus reported last

#### At the sa ish snip Stockholm-Tallinn route in file symbol of Estonia's emerge exports to Estonia jumped pendent in 1991. They have 1990 as the two sides anticiing economy was reflected in from SKr92m (£7.7m) in 1991 to 75-mile Helsinki-Tallinn route. Nato rallies to call of 'expand or die'

#### The alliance meeting in Seville today will focus on enlargement, writes Bruce Clark

Tust over a year ago, US autumn, and they have started Senator Richard Lugar speaking about enlargement warned Nato there was only one way it could survive

without a communist threat. It must go "out of area" - gear up for peacekeeping or peace enforcement operations outside its own geographical limits - or else go "out of busi-

That was last year's slogan. When Nato defence ministers gather today in Seville, they will hear a new rallying cry, a new formula for extending Nato's area of operations. It is called enlargement

instead of venturing beyond its frontiers, the alliance will be called on to extend those frontiers – to include Poland, Hungary, the Czech Republic and Slovakia (known as the four Visegrad countries) and possibly others.

The calls will be led by Mr Volker Rühe, the German defence minister who is the most outspoken advocate of early enlargement, and wants a firm commitment to incorporate Poland by the year 2000. Defence Secretary, is also impatient. US officials want preparations for expansion to

speaking about enlargement with the same missionary zeal that they brought until recently to the "out-of-area" slogan.
They are suggesting that

Nato will have no reason to exist, or to expect US support, unless it expands soon. In the pithy language favoured by Senator Lugar, the new US

message is something like
"expand or die".

In practice, however, the
"out of area" slogan has not proved to be a panacea for Nato, and enlargement is also likely to spark some acrimonious debate in Seville.

Nato's most spectacular "out of area" operation - policing the skies over Bosnia - is still proving to be a trying experience for the alliance.

The problem is that by most legal interpretations, Nato can only go "out of area" under a mandate from another organisation, such as the UN or the Co-operation in Europe.

And Nato's US commanders Mr William Perry, the US have barely concealed their fury over the cautious attitudes of the British and French preparations for expansion to generals who command the UN move into high gear this ground forces in Bosnia. Only

after some very blunt soldier-to-soldier exchanges over the past two weeks have tempers cooled. One of the first fruits of this frank dialogue over tactics in Bosnia was last Thursday's air strike against a Bosnian Serb tank.

A second problem with "outof-area" operations, highlighted in a study by left-wing defence analysts in Washington, London and Berlin, is the contrast in the peacekeeping doctrines used by European and US armies. While British generals distinguish clearly between keeping peace by consensus and imposing peace by force, the US military tends to blur the two.

f "out-of-area" operations have been contentious, the emphasis on enlargement promises to be even more so. There are sharply contrasting views on the issue among German and US officials, and also within the Nato bureaucracy.

In Washington, Bonn and other Nato capitals, the enthusiasm of some politicians for expansion is tempered by the caution of military officers, who are all too aware of the money that would be needed. Generals, more than politi-cians, remember that embrac-Another argument for cauing new Nato members is more than a political gesture: it is a commitment to treat an "attack on one as an attack on

The thorniest issue ministers will face is how far Nato should go in defying Russia, which in June became the 20th country to join Partnership for Peace, the Nato-inspired military co-operation programme.

Moscow has made plain that it would view Nato's expansion to include the Visegrad countries - particularly Poland - as an unfriendly act, unless the alliance also embraced Russia, something which would transform Nato's character.

There are senior US, Ger-man, and British officials who see Moscow's hostility as a reaenlargement. Supporters of this view use two arguments. One is that Nato should take

seriously - as a basis for dis-cussion - Russian proposals for a grand partnership between a Russian-dominated States and Nato.

Commonwealth of Independent This view may be anathema to cold warriors but it has its

tion is that by incorporating the Visegrad countries too quickly and slamming the

door, Nato will appear to ahan-

don both Ukraine and the Bal-tic states to Russian influence. Mr Malcolm Rifkind, the UK defence secretary, said yesterday Russian membership of Nato was "not a serious proposition". He stressed Britain's commitment to the sovereignty of Ukraine, calling it a "country whose independence plays a crucial part in the new geography of Europe".he A wild card in the debate is Turkey. Ankara fears that Moscow's consent to Nato enlargement in northern Europe might be "bought" with concessions to Russian influence on its borders.

So Turkey, while supporting the idea of embracing the Vise-grad four, is also suggesting that Romania, Bulgaria and Albania be admitted. But most of the ministers meeting in Seville would need to drink plenty of sangria before they viewed that idea with any rel-

\*Nato, Peacekeeping and the United Nations, a BASIC/BITS backers, especially in the Ger- publication, £10, \$15.

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# overhaul of diamond pact

By John Lloyd in Moscow

The leading official in Russia's diamond industry said that his country's present agreement with South African diamond group, De Beers, was "far from satisfactory" and would have to be radically changed.

But Mr Yevgeny Bychkov, chairman of the committee on precious metals and stones, emphasised that Russia wanted to work with De Beers. dispelling fears that the relationship between the group that controls more than 80 per cent of world rough (uncut) diamond sales and one of the largest producers was near to collapse.

Mr Bychkov wants the present agreement, which runs until the end of next year, to be substantially modified, and wants to sign an agreement after 1995 "on a completely new basis".

Earlier this month, De Beers eemed to believe that the rela tionship was in danger and that the prospect of excluding Russia from the monopoly because of allegedly unsanctioned sales of diamonds would have to be considered.

Mr Bychkov also resolutely denied the estimations, tabled by De Beers in talks between the two sides this year, that "leakages" of diamonds from Russia outside of the agreement had totalled \$500m (£316.4m) this year Mr Bychkov said that Russia had sold only \$120m worth of diamonds independently from De Beers - and that had been covered by agreements with the

"Everything else sold is just small change. We know who is dealing illegally in diamonds here and what they are selling

is very little," he said. While Mr Bychkov would give few details of the negotiations between the two partners, he indicated that he wanted Russia's quota within De Beers' Central Selling Organisation (CSO) to be raised from its present 26 per it is not at present".

Almazy Rossti-Sakha, Russia's biggest diamond mining company, is seeking \$2bn (£1.2bn) to invest in two new diamond mines over the next 10 years, Mr Vladimir Piskunov, com-pany vice-president, said in London yesterday. The deposits are in the Prilensk and Daldvino-Alakitsk regions, writes Kenneth Gooding, Mining Correspondent. He said that the company's new Jubilee (or Ubilinnaya) diamond mine, which cost about \$500m, would be in production next year. Mr Piskunov said the mine needed only \$10m more. Western analysts pointed out that this implied the start-up would be at least three years behind the original schedule.

cent of total CSO sales because of growing production in

"We are producing more from Yakutia (the diamond producing region) than last year and next year we expect to produce more than this. So we want our quota to be raised," Mr Bychkov said.

A rise in Russia's quota would mean a fall in that of the other member countries which include South Africa,

Botswana and Australia. Another area of negotiation and dispute between the two sides concerns the joint ventures which Russia has formed with companies, especially from Belgium and Israel, to send diamonds abroad for polishing. De Beers considers that these consignments are exports - while Russia believes that,

since the diamonds remain the property of Russia and are returned to it, they cannot be counted as exports. allows Russia to sell freely only 5 per cent of the diamonds

it produces, while the remainder goes to the CSO. Mr Bychkov said that "the present agreement must be improved, and a future agreement made

# Russia seeks Rouble fall threatens to undo everything goods, and an upward twist to inflation already said to be risSobn later to stabilise the cu

By John Lloyd and John Thomhill in Moscow

Russian and foreign experts agree that if what is driving the fall of the rouble - which dropped a further 6 per cent yesterday - is not corrected, the government's economic achievements over the first eight months of this year will be set at nought. In danger, now, is the future of its economic strategy, of further assistance from the international financial institutions, and even of the government, they say.

However, some dealers and bankers view it differently. One said the rouble's fall - by more than 16 per cent this Central Bank of Russia's way of driving down the rate in order that it can sell hard currency to help pay the govern-ment's debts, especially delayed wage bills.

Another said the central bank periodically adjusted its rate by intervening or (as now) refusing to intervene until a rate which suits it is reached - "and then the rouble becomes relatively stable

A third, more worriedly. said: "It should not get much worse. But if it does then the situation may run out of control very quickly."

The less sanguine analysis is that it will get out of control



onickly. Mr Yegor Gaidar, former prime minister, leader of the main liberal party Russia's Choice and head of the Institute for the Study of Problems of the Transitional Period, said yesterday that the rouble's fall reflected the rise in money supply which had been going on since April and was only now working its way through in higher inflation because of the long time lag

between credit expansion and

The period in the summer when people had found it more profitable to keep their money roubles had ended, he said, and there was now a flight to the dollar driven by fears of rising inflation.

dangerous .because it carries the risk of long term stagnation which would not be ended by the time of the (parliamentary) elections at the end of 1995."

"The trouble is that everyone tends to move one way in Russia," said a western finance official, "and this increases the speed of a collapse. And if you get the rouble falling rapidly, few governments can sit back and watch it without attempting to clamp controls, like suspending trad-

The immediate effect of the drop will be a feed-through to higher prices for imported goods, and an upward twist to inflation already said to be rising this month from last ath's low of 4 per cent to a level estimated by the government at 7 to 8 per cent and by others to be up to 10 per cent. Mr Gaidar said that a rise

this month and the next two is "inevitable" even if the gov-ernment immediately tightened its monetary policy.

The finance ministry, sup-ported by the prime minister, has tried hard to screw down on spending - though extra credits were issued over the summer totalling Rbs7,000bn and Mr Gaidar said that mone tary growth doubled in the second quarter of the year

Already, the energy and mil-itary lobbies have opened the first rounds of the fight for more credits and the government's hopes of getting the 1995 budget through the parliament with the same eas it did the 1994 budget earlier this year seem certain to be

The danger signals come just as the International Monetary Fund is staging its annual meeting, in Madrid, where it will entertain Russian demands for a standby credit

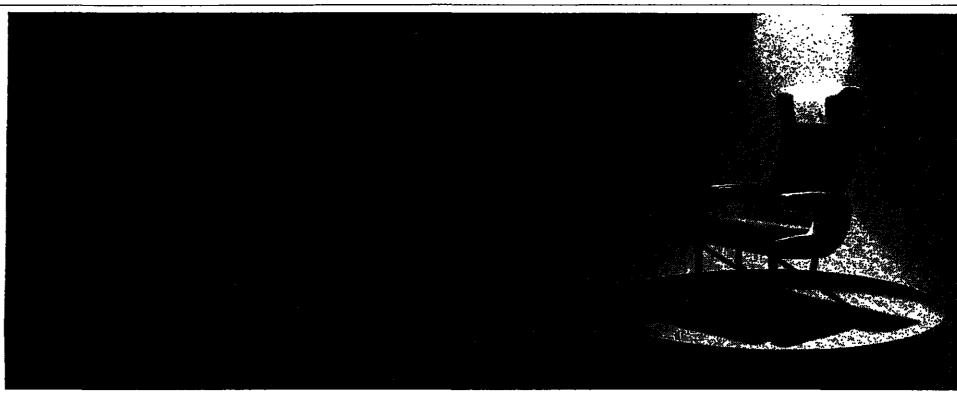
and other support. Mr Lloyd Bentsen, the US treasury secretary, said in Washington on Monday that \$8bn-\$10bn could be available from the international finan\$6bn later to stabilise the currency - if the Russian governstick to a reform programme more rigorous than their present one.

"The IMF should go to Russia and see what the situation is, see if there is something to support. Clearly it can't support any old programme," said one US official yesterday.

However, the difficulty for the IMF, as for the Group of Seven advanced industrial nations, is to risk losing the present government if it is not supported with more aid - or to lose the aid if it is applied to a defective programme.

Mr Galdar, in comments yesterday, appeared to believe the Rund should be cautious Asked what be would advise the IMP to do, he said: "! would look very carefully at the credit expansion in Russia the past three to four months. I would look at the planned expenditure of the idget and the real possibilities of financing that expendi-ture - that's the fundamental problem and if it's not solved then support could be ineffec

As Mr Yevgeny Yasin, an economic adviser to President Boris Yeltsin, warned last week, "the government is standing on a very narrow strip of ground and can easily



# Multi-speed **EU rejected** by Strasbourg into the EU next year. The par-

The European Parliament yesterday rejected by an overwhelming majority the pros-pect of a multi-speed Europe, but said at the same time that if recalcitrant member states like the UK continued to block further EU integration they should be by-passed.

In spite of the strong endorsement of a carefully drafted resolution, yesterday's debate highlighted the confusion and division inside the EU over the future shape and pace of integration.

Yesterday's resolution was backed by the two large Socialist and Christian Democrat blocs. It addressed the ideas mooted this month by Germany's governing Christian Democrats and the French gov-ernment, about a "hard-core" of Germany, France and the Benelux countries moving faster towards economic, monetary and political integration. while their partners followed more slowly in their wake.

MEPs from Italy, Spain, Greece and Portugal expressed their countries' fear of exclusion, but still, in the main, backed northern MEPs' denunclation of blocking tactics by countries such as the UK. The parliament said: "It would be inconceivable to exclude" member states ready and able to pursue integration with equal rights and duties".

But it warned that "if a small minority of member states attempted to block all progress" in 1996, "ways would have to be found of allowing member states which want to pursue their efforts to achieve European integration to still

The Maastricht treaty review conference in 1996, which will decide on the extent to which the Union must tighten its links in order to bring in new east and central European states, will still see governments in the driving seat.

But the Strasbourg parliament, with new powers under Maastricht, won the right to take part in the 1996 review by threatening this spring to block the current enlargement process, designed to bring the Nordic countries and Austria

liament is increasingly showing that it is willing to use its veto and vetting powers to make its views beard.

The resolution, alluding to recent British government comments about a multi-speed Union, also denounced the British and Danish opt-outs from the Maastricht treaty as the root of "dangerous specula tion about an à la carte Europe", in which member states can dissociate themselves from policies they dislike. All but two of the 18 UK

After Maastricht there is already a two-speed Europe, but the mistake is to think this is permanent'

Conservative MEPs remaining in Strasbourg abstained, regarding the debate as "pre mature", as Tory Euro-MP

Brendan Donnelly put it. But amid the welter of multilingual mixed metaphors about ships and convoys, hares and tortoises, concentric circles, menus and "variable geome try", disgust at the ability of one state to use a veto to delay decisions outweighed distaste at an elitist "hard-core".

The former Belgian ministe and liberal MEP. Mr Willy de Clercq, said that "if one speed means standing still that cannot be". Former French Social-ist prime minister Michel Rocard dismissed much of the debate as hypocrisy, pointing out that after Maastricht there is already a two-speed Europe, but "the mistake is to think this is permanent".

Ms Elisabeth Guigou, the former French Socialist minister for Europe, said an à la carte solution would be divisive. "but we cannot allow one country or group of countries to block progress." Mr Günter Rinsche, a German Christian Democrat leader, defending his party's floating of a "hard-core" built round the Franco-German axis, argued that the Union should use flexible formulas as the cement

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#### **NEWS: INTERNATIONAL**

Indonesia and its neighbours

# shopping hits luxury stores

By William Dawkins in Tokyo

Japanese consumers' growing appetite for discount shopping contributed to a decline in turnover at high-priced department stores and supermarkets last month.

Sales at large retailers fell 1.7 per cent in the year to August, more than wiping out a 1.2 per cent rise in July that had appeared to break a 25-month run of declines.

Department stores, where prices tend to be highest of all. were hardest hit, with a 3.6 per cent sales fall, the Internaional Trade and Industry ministry said. Supermarket sales

Discount stores have been the main beneficiary of a rise in consumer spending. Yet they are not included in government statistics on retailing, nor in official measures of

Consumer goods prices are falling by 0.4 per cent annually, twice as fast as shown by the latest government data, for July, a survey by Sanwa Research Institute shows. Sanwa estimates discounting is depressing gross domestic product by 0.3 per cent a year. The rise in cheap imports is depriving Japanese manufacturers of 0.8 per cent of production, worth Y1,800bn (£11.6bn) a year, Sanwa

believes. Reuter reports from Tokyo: Japan's Labour Ministry has told hundreds of companies to scrap discriminatory practices against women. Of 655 companies investigated, 264 financial institutions and 51 broadcasting stations were found to violate Japan's equal employment

law, the ministry said. The law requires employers to treat women equally in recruitment, wages and promotion, and forbids discrimination in training, retirement and dismissal, but lacks penal-

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# Discount Opposition forms voting bloc in Japan

Its members broadly support

the most important bills due to come to parliament this

autumn, on electoral and tax

reform, but will seize on any

Mr Ozawa's 62-seat Japan

Renewal Party, dominant

member of the previous two

coalition governments, is Renovation's largest member, fol-

lowed by the 52-seat Komeito (Clean Government) party, supported by Soka Gakkai, a

cash-and-vote-rich Buddhist

Renovation's arrival springs

partly from the financial and political incentives for the

opposition to close ranks

before a new political and elec-toral system takes effect at the

From January, political par-

tles will qualify for a Y30.5bn

(£198m) annual public subsidy,

designed to reduce their depen-

dence on corporate donors.

Larger parties will qualify for a

disproportionately larger sub-sidy than smaller ones.

because the share-out is deter-

mined by parties' spending in

The parties in Renovation

have little chance of a com-

bined majority if they individu-

ally fight a general election

How much power to be

accorded Mr Ozawa is another

issue yet to be clarified. before

tedMr Ozawa's allies value his

political skill but this is tinged

with wariness of being domi-

nated by him. Soka Gakkai's

position is sensitive because of

Japan's separation of state and

ers, buses and tourist sites in

Cairo and upper Egypt, said it was behind the attack earlier

this month at Abu Tig in the

south in which a young Span-ish tourist died.

difference if the

Egypt's Red Sea resorts until

now have been free of inci-

dents throughout the Gamaa

al-Islamiyya's two-year-old

campaign to put pressure on the government by ruining the tourism industry. It is also the first time gummen have fired

directly at tourists, rather than

from a distance at cruise boats

'It makes no

gunman is a

lunatic or a

terrorist'

or buses.

the merger can be consumma

organisation.

turn of the year.

the previous year.

under the new system.

coalition to woo defectors.

ses in the government

By William Dawkins in Tokyo

Nine Japanese opposition parties and groups yesterday formed a parliamentary voting bloc, a decisive step towards creation of the first strong opposition party in nearly 50

The new Kaikaku, or Renovation, group commands 187 lower house seats, slightly less than the 200-member Liberal Democratic Party, the biggest member of the three-party government coalition of conservatives and socialists.

Renovation's birth fruit of intensive backroom negotiations over the summer puts pressure on the three-monthold government as it prepares for its first parliamentary session, due to start tomorrow. Group members aim to turn themselves into a party proper in November, once they have settled on a leader. Former premiers Tsutomu Hata and Toshiki Kaifu are top contenders, a

TV poll showed Mr Ichiro Ozawa, who brought together the previous two government coalitions and helped form the group, will take behind-the-scenes control of Renovation as chairman of its action committee, similar to a chief whip. He is unlikely to stand for the party leadership, preferring to exercise influence from the wings.

Renovation's moderate policies are close to the government, though its leading members lean toward a slightly more assertive foreign and defence stance. A statement yesterday promises "a politics of responsibility that does not postpone problems".

The latest battle lines

yesterday rounded up more than 30 suspected Islamic mili-

tants in Hurghada, 500km

south of Cairo, following an

attack by two gunmen late on

Tuesday in which a German tourist and two Egyptians were

A second German shot in the

attack was said yesterday to be "stable" after a bullet was

Witnesses said two men drew

up in a lorry, then opened fire with automatic weapons on a

group of tourists in Hurghada's

market, before fleeing into an adjacent residential area.

of a renewed campaign by

Islamic militants against tour-ist targets following a five-

month lull - the result largely

of a tough and concerted secu-

rity operation which the Egyptian government claimed had

broken the back of militant

No group has claimed responsibility for Tuesday's

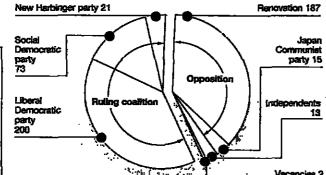
shooting. However the Gamaa

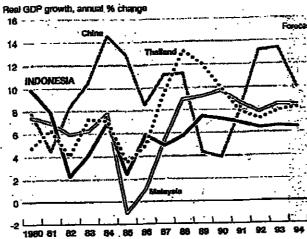
al-Islamiyya, which previously

Islamic groups.

The attack has raised fears

Lower house of Japanese parliament, 511 seats







# 'Favours' blamed for putting Indonesia in second division

Manuela Saragosa on accusations of politically motivated protection

ost economists agree that Indonesla is poised to join its neighbours in the newly industrialised economy ranks. Average annual economic growth of 6.6 per cent over the last 25 years has earned the country a reputation for stability and promising

However, disgruntled Indonesians say public and private monopolies that enjoy high tariff protection are an impediment

With nearby Thailand and Malaysia averaging growth rates of hetween 8 and 10 per cent a year, and an even faster pace in China, they are saying that 6.6 per cent is not good enough.

Most recently, they point to a presidential decree giving tariff protection to a \$1.7bn petrochemical plant in West Java, called Chandra Asri. The plant, due to come on stream next year, will produce olefin products for the first time in Indonesia. The decree prevents cheaper oletin products from entering the country. It emerged that the plant is jointly

owned by Mr Prayogo Pangestu, a well-connected tycoon with a majority stake in the big timber company PT Barito Pacific Timber, and President Suharto's son, Mr Bambang Trihatmodio. Private-sector economists and opposition

parties complain that decisions on protection are arbitrary, with policy-makers favouring their close contacts. Protection, they complain, depends on political favouritism rather than economic logic. Economists point to several of the coun-

try's largest industries, such as food processing, petrochemicals and pulp and paper, all of which have been protected for decades by tariff barriers and import bans. They say that this could be costing the economy as much as 2 per cent in annual

"In the context of Indonesia, which is seeking to become a more competitive tant knock-on effect because they increase the cost of raw materials to downstream industries," says a Jakarta-based econo-

als in July up nearly 15 per

cent on a year ago and 35 per cent up in August - bettering

even Egypt's record year in

Bookings for the main winter season, which traditionally

draws Europeans to Egypt's

historic sites and beaches, are only now being offered by travel agencies. Diplomats and hoteliers in Cairo said they

feared the attack could nip the

"It makes no difference if the gunman was a lunatic or a ter-rorist," said a spokesman for

the German embassy. "The

Germans are traditionally

the second most numerous

effect is the same."

The attack comes at a dam-aging time for tourism, which Egypt after Britons.

industry's revival in the bud.

An Indonesian campaign against prostitutes, beggars and suspected criminals in Jakarta ahead of November's Asia Pacific Economic Co-operation summit has led to increased human rights abuses, Amnesty International said yesterday,

Victor Mallet writes from Bangkok. The government had put in 15,000 military and police officers "to clear the streets of political and criminal 'undesirables'," Mr Pierre Sané, secretary-general of the London-based human rights group, said in Bangkok. Excessive force had been used in breaking up peaceful demonstrations, with scores of alleged criminals

shot dead, Amnesty said. Jakarta residents could not confirm how many extra troops had been sent to the capital, but said government forces had been seen clearing beggars off the streets to improve Indonesia's image for the summit meeting, to be attended by President Clinton. Amnesty, which yesterday launched a report\* on Indonesia's human rights record, wants rights and labour issues raised during the summit. \*Indonesia and East Timor - Power and Impunity: Human rights under the New

The government has stood its ground on protection for the Chandra Asri plant. Mr Sanyoto Sastrowardoyo, state minister for investment, says the tariff protection is necessary because industries such as Chandra Asri take a long time to make adequate returns on their investments. President Suharto says protection for industries is a temporary measure.

The issue is made more sensitive by the fact that most of the largest Indonesian conglomerates are controlled by ethnic Chinese and there is growing resentment at their dominant role in private business. There is also a more general assault on

the role of "big business" in Indonesia's being seen as preventing smaller companies from setting up, thus limiting the

"It should be a level playing field but those who are benefiting the most are the big players," says Mr Laksamana Sukardi, a prominent member of the opposition Democratic Party, the PDI. That has accelerated the accumulation of wealth in a few hands."

The government is not immune to these criticisms. Efforts have been made to reduce tariffs and liberalise the economy. Earlier this year a trade liberalisation package cut import duties on 739 goods, lifted non-tariff barriers on 27 commodities and removed import surcharges in 108

Many market-skewing measures remain, however. In the food-processing industry, for example, the government controls the price of sugar, which keeps the cost of a key raw material artificially high.

The pulp and paper industry is another that comes under intermittent attack. The domestic industry is dominated by the Sinar Mas group, Indonesia's second-largest conglomerate. The influence of Sinar Mas and other Indonesian paper manufacturers has been sufficiently strong to ensure a 40 per cent tariff on imported paper. Indonesian printers complain that paper accounts for 70 per cent of their production costs, and many smaller printers have been forced to close.

"There needs to be further deregulation but this has been met with a lot of resistance in the government because (many) areas of the economy deliver huge profits to key economic players," says a Jakartabased economist.

The government is aware of the complaints and ministers advise patience: "We are going in the right direction," says Mr Tunky Ariwibowo, minister of industry. But economists complain that there is no timetable for phasing out tariffs.

"It does moves slowly here compared with other south-east Asian economies but deregulation has been a consistent policy," have to remember that in a 10-year period Indonesia has moved from a highly-probenefits of growth to a small portion of tected import substitution economy to an export-oriented economy."

## Indian plague cases soar to 1,400

Recession

Plague cases multiplied in ties struggled to control the deadly disease and assuage domestic and international

The total of reported cases of suspected plague rose to 1,400, with about 500 new cases yesterday, mainly in the western city of Surat, where pneu-monic plague broke out a week ago, and in the remote eastern part of Maharashtra state, where hubonic plague first struck a month ago. The government's national instiiute for communicable diseases also recorded three more deaths, taking the official toll to 47, though unofficial estimates ran as high as 100.

The health authorities were anxiously watching for signs that 300,000-plus people who have fied Surat have spread the disease. About 30 suspected cases have been recorded in Delhi, more than 40 in the tourist mecca of Rajasthan and about 50 in Bombay, the country's commercial capital which lies close to Surat. Further isolated cases have been reported as

far away as Calcutta. Other countries have taken precautions against the disease. Pakistan has banned flights from Bombay and is considering suspending services from Delhi. Saudi Ārabia yesterday banned all flights from India, forcing a Jeddahbound Air India jet to turn back in mid-flight.

The UK, US, Germany, and France are among countries which have started monitoring visitors from India and urging them to report to a doctor is they develop fever-like symptoms. Some governments, including the UK, have also urged their nationals to avoid travelling to Gujarat state, which includes Surat.

In Germany, which has put out the strongest warning, at least two tour groups have cancelled holidays to India, raising fears that the outbreak will affect the Indian travel

industry. The plague has also seriously disrupted business in Surat, a city of 2m with important textile, chemicals and diamond polishing industries. The Gujarat Chamber of Commerce and Industry estimates the city is losing about Rs500m a day in turnover, due to the absence of owners, managers and workers who fled. The plague has prompted bursts of public anger at the failure of the health services to provide adequate care, particularly in Surat, where protestors have stoned private

#### No Pyongyang N-deal in sight

Mr Robert Gallucci, US ambassador-at-large, and Mr Kang Sok-ju, North Korea's first deputy foreign minister, met yesterday morning in a bid to unblock stalled negotiations on eliminating Pyongyang's nuclear capability, Frances Williams writes from Geneva The US said afterwards there

had been "an extensive exchange of views" while North Korea described the discussions as "serious and busi-nesslike". The two sides plan to meet again today.
US officials had hoped to

wrap up a deal with North Korea this week granting the isolated communist state safer atomic reactor technology in return for full disclosure of its nuclear activities, current and past. But additional demands by Pyongyang, going well beyond an outline agreement reached last month, quickly brought the talks to a stand-

#### Nigeria wastes \$12bn revenue

Nigeria's military rulers squandered more than \$12bn of oil revenue without proper accounting between 1988 and June 1994, an official report said, Reuter reports from Lagos. The money had been placed in accounts set up in 1988 for special projects and to receive a windfall of oil revenue from the Gulf War, said Pius Okigho, chairman of the panel on the reform and reorganisation of the Central Bank of Nigeria (CBN).

He called the handling of the accounts "a gross abuse of public trust". Money from the accounts was spent in less than six years on what could

#### Egypt rounds up militant Buthelezi 'sorry' for suspects after shooting TV fracas

Tourism will feel the blow, writes Mark Nicholson Egyptian security forces claimed attacks on Nile cruis- had begun a revival in the past months aided by the peaceful passage in Cairo of the recent International Conference on Population and Development. Mr Mamdouh al-Beltagui, Egypt's tourism minister, said only a few days ago the tourist arrivals were showing a "steady increase", with arriv-

The uncharacteristic apol-ogy by the combative minister, which came after he had been

Speaking at a joint press conference with President Mandela in Pretoria, Chief Buthelezi said that he had apologised to the President

South African Home Affairs Minister Chief Mangosuthu Buthelezi, who is also leader of the Inkatha Freedom Party, offered an unconditional apology for having burst into a television studio on Sunday night to confront a political rival during a live broadcast, Mark Suzman reports from

formally censured by the cabinet for "a serious violation of the right to freedom of speech and freedom of the press," appears to have defused the controversy over the incident for the time being. However, Chief Buthelezi remains under continued political pressure over his relationship with Zulu king Goodwill Zwelithini who last week broke off rela-tions with the Chief.

and the nation as a whole for

# Clarke calls for laundering curb

By Philip Coggan in Valletta

Mr Kenneth Clarke, UK Chancellor of the Exchequer, yesterday called for concerted international action against

money laundering.

"Money laundering poses a
threat to every member of the
Commonwealth," said Mr Clarke in a speech to the Commonwealth Finance Ministers' meeting in Malta. He said it allowed drug traffickers to develop and expand their operations, filegal arms dealers to spread more and deadlier weapons to terrorists, and international fraudsters to

bleed economies dry.

Rough estimates of the total amount of criminal money which may be laundered run up to \$500bn (£333bn) a year. Mr Clarke said finance min-isters should take forward the recommendations of the Financial Action Task Force (FATF), set up by the Group of Seven countries in 1989.

They should ensure financial institutions know their customers and do not operate anonymous bank accounts, he said. Financial institutions

tions, and develop programmes against laundering. Finally, supervisory authorities should ensure financial

institutions have adequate procedures in place to combat the laundering.
Commonwealth finance ministers called on their secretary-

general to convene a meeting of senior officials from finance ministries and central banks to make progress on the FATF Meanwhile, the ministers "warmly welcomed" British proposals to extend debt relief

for poor countries on debt owed to supranational institutions such as the International Monetary Fund. The communiqué called on the "IMF, the World Bank and other multilateral development banks to consider these proposals in a The British plan, which

would involve the sale of up to 10 per cent of the IMF's gold reserves, will be discussed at the IMF meeting in Madrid.

Leslie Crawford on reports of revenge killings which have exposed the failure of the UN in Rwanda

# Inquiry begins into alleged Tutsi massacres

United Nations experts flew into Rwanda yesterday to investigate whether the victorious Tutsi army has been involved in reported massacres of returning Huht refugees. The allegations of systematic

revenge killings were first made by the UN High Commissioner for Refugees (UNHCR) at the weekend. They have been denied by the army-installed government in Kigali and have seriously embarrassed other UN agencies working with Rwanda's new

Mr Boutros Boutros Ghali, the UN secretary-general, has ordered a news blackout on reports of the revenge killings, which have exposed the failure of the UN assistance mission in Rwanda to protect the lives of Hutu

Front, a Tutsi-led guerrilla army. defeated a Hutu government guilty of directing massacres against the country's minority Tutsi population. Human rights groups estimate up to Im Tutsis were killed in the final three months of Rwanda's civil war. The new government says it wants Hutu exiles to return. Without them, it cannot rebuild Rwanda's war-shat-

tered economy or create stable politi-cal structures. The government also fears the teeming refugee camps in Zaire and Tanzania could prove fertile recruiting grounds for the remnants of a defeated Hutu army intent on But UNHCR officials suspended the repatriation of Hutus this week after

More than 2m Hutus fled Rwanda in a team of investigators uncovered evidence of recent mass graves and only 26 human rights monitors heard witness accounts of atrocities allegedly committed by soldiers of the Rwandan Patriotic Front. "As an agency which protects ref-ugees we cannot in all conscience

send Hutus back," a UNHCR official said yesterday in Geneva. Mr Pasteur Bizimungu, Rwanda's

new president, has accused UNHCR of spreading malicious rumours. While the new team of UN investigators investigates further the conduct of the Rwandan Patriotic Front, several human rights groups have begun to criticise the failure of the UN to deploy security troops inside Rwanda and to start international

legal proceedings against those who masterminded the genocide of Rwan-

have been deployed inside Rwanda, in spite of Mr Boutros Ghali's pledge to send 147 in August. UN-appointed human rights officials, briefed to gather evidence of war crimes, have been denied the personnel and financial resources they need to proceed with investigations.

The Paris-based International Federation of Human Rights, in an open letter to Mr Boutros Ghali, asks: "Do these inadmissible delays by the international community mean that Africa should be considered a second-class continent and that genocide against Africans is less serious than genocide

"squandering a golden opportunity to stop the cycle of impunity in

The 442-page document includes dozens of testimonies of Tutsi survivors, and argues that enough evidence has been amassed to extradite those guilty of genocide from Zaire and other countries.

It reminds the UN of its legal obligation under the Genocide Convention to bring prosecutions for crimes against humanity. Ms Rakiya Omaar, a co-director of African Rights, says she hopes the report will shame the UN into taking action.

in Europe?"

Another report\*, published today by
African Rights, a London human

African Rights, a London human

\*Death, Despair and Defiance, by African Rights, published today by

can Rights, 11 Marshalsea Road, London high priority nor truly regenderative investment, he said.



#### **NEWS: IMF WORLD ECONOMIC OUTLOOK**

# Recession is dead and world output is set to expand

By Peter Norman, Economics Editor, in Madrid



The International Monetary Fund has at last dared to call an end to the recession. Its latest World Economic Outlook says the

broadening and strengthening of recovery in the industrialised countries marks the end of the "long and unusually severe downturn" in recent years. It expects world output to expand 3.1 per cent this year and 3.6 per cent in 1995, or at twice the rate for 1990 to 1993.

The industrialised countries are

forecast to grow by an average 2.7 per cent this year and next, reflecting an increase of 0.4 percentage points in forecast growth for 1994, against the IMF's last forecast in May and a slight upwards revision of 0.1 points for 1995. The developing countries should grow at more than twice this rate: by a forecast 5.6 per cent this year and next.

The IMF draws comfort from stronger signs of a turnaround in continental Europe and more tentative signs of recovery in Japan. It has raised its forecasts for German growth to 2.3 per cent this year and

points respectively from the forecasts published five months ago. It expects France to grow 1.9 per cent this year and 3 per cent next. Its projections of 3.3 per cent and 3 per cent growth for the UK in 1994 and 1995 respectively are more bull-

2.8 per cent in 1995, up 1.4 and 0.6

ish than the British government's. Canada and the US are seen as the fastest growing of the Group of Seven industrial countries this

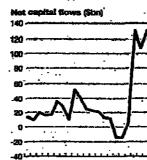
year, with forecast growth of 4.1 per cent and 3.7 per cent respectively. While Canada's growth is expected to slow to 3.8 per cent in 1995, the US's will decelerate to 2.5 per cent next year. This deceleration, which the IMF expects because of monetary tightening, would push US growth below the 2.7 per cent average projected for G7 nations and the industrial world as a whole.

The IMF's growth forecasts for Japan have been raised 0.2 percentage points for this year and next to 0.9 per cent and 2.5 per cent respectively. A "particularly positive" aspect of world economic developments remains the rapid expansion of many Asian and some Latin American developing nations, such as Argentina, Chile and Peru.

The IMF draws comfort from large margins of slack between actual and potential output in many countries. Apart from the US, where little or no slack is left in output and labour markets, "output gaps" ranging from an estimated 1.7 per cent in Germany to 5.6 per cent in Japan reduce inflation dangers.

The report states all this gives no grounds for complacency. Areas exist where output continues to fall. as in the former communist states of Russia, Ukraine and Belarus. Despite signs of improvement, economic conditions remain difficult in much of Africa. In the industrial

Developing countries Net capital flows (Sbn)



with difficult tasks if they are to secure a strong, long-running expansion with low inflation and high investment that can help cut

They must avoid the policy failures of the 1980s and safeguard a high degree of price stability. That means acting promptly to raise interest rates in anticipation of inflationary pressures as recovery takes hold, and strengthening efforts to cut fiscal deficits.

"A critical policy requirement is the need to deal with the large fiscal imbalances that have lifted gross debt in the industrial countries as a group to nearly 70 per cent of gross domestic product from

40 per cent in 1978." Fiscal imbalances have contributed to high real interest rates and weak private investment over the past decade. Governments recognise

appear to be too modest".

The IMF draws a moral from the

recent rise in worldwide bond yields, which hit countries with large fiscal imbalances such as Italy, Sweden and Finland hardest. Here, an urgent need exists to strengthen the fiscal outlook, to establish greater credibility.

But macroeconomic measures alone will not solve the world's eco-nomic problems. Reducing structural unemployment, which is Europe's big problem, will need fun-damental labour market reforms, including lowering and restructuring unemployment benefits and related programmes, lowering minimum wages in some countries, reducing non-wage labour costs, liberalising employment and wage-set-ting practices, and strengthening

training programmes". The Uruguay Round needs to be implemented. More liberalisation of markets is needed in many industrial countries. All countries must introduce reforms to curb rising budgetary costs of health care and pensions. The IMF predicts strong overall growth in the developing countries, but notes conditions vary. The most successful have created a stable macroeconomic environment, encouraged domestic savings and implemented structural

reforms that increase efficiency. The Fund worries that the rise in private capital flows to developing nations over the past five years

could in some cases backfire. In

the problem and are acting, but con-solidation plans "in most cases... 1989, net outflow from developing countries totalled \$14bn; last year it exceeded \$130bn

Not all countries benefiting from capital inflows have done so because of investment opportunities or strong fundamentals. Some may have been beneficiaries of a "general enthusiasm for emerging financial markets". For them, "the risk of sudden changes in market senti-

ment is particularly serious". Those former communist countries such as the Baltic states, the Czech Republic, Hungary, Poland, the Slovak Republic, Slovenia, Albania and Mongolia which implemented market reforms, "are now growing, or appear to be on the threshold of recovery, and prospects for continued growth are good."

In others, including Russia and the Ukraine, output continues to contract and more must be done to control inflation. Enormous difficulties must still be faced over struc-tural reform in Russia and some other "transition" countries.

Many banks and companies are insolvent. Large payments arrears have built up. Progress on land reform and farm privatisation has been limited. Subsidies and cheap credits distort market signals. The framework for a market economy, including business laws, accounting standards, and a modern banking system, is only gradually being put in place. "Widespread corruption and crime threaten to undermine support for market reforms. The World Economic Outlook: to be

Projections overview (annual % change)

	Current Projections			Differences 1994 Pro	
•	1993	1994	1995	1994	1995
orld output	2.3	3.1	3.6	0.1	-0.2
dustriaj countries	1.3	2.7	2.7	0.4	0.1
3	3.1	3.7	25	-0.1	-O 1
pan	Ø.1	0.9	2.5	0.2	0.2
- STDENY	-1.1	2.3	2.8	1.4	0.6
ance <sup>*</sup>	-1.0	1.9	3.0	0.7	0.5
ly	-0.7	1.5	2.8	0.4	0.3
Ī	20	3.3	3.0	0.8	02
nada	2.2	4.1	3.8	0.7	-0.3
ven countries above	1.4	2.8	27	03	0.1
her industrial countries	03	24	3.1	0.8	0.3
,	-0.3	2.1	2.9	08	0.3
veloping countries	6.1	5.6	5.6	0.1	-0.2
ica -	1.0	3.3	4.5	-0.1	•
a	8.5	8.0	7.3	0.5	-0.1
ide East and Europe	4.B	1.4	2.5	-1 <b>6</b>	-1.3
stem Hemisphere	3.4	2.8	3.3	-	-0.1
untries in transition	-9.D	-9.3	-1.0	-22	-2.4
ntraiand eastern Europe	-5.7	-5.4	1.4	-2.3	-1.0
duding Belarus and Likrame	-23	1.4	3.1	-0.5	-0.5
3343	-12.0	-120	-3.9	-21	-3.9
necaucasus and central Asia	-10.7	<del>-6</del> .6	0.1	-1.8	-24
vid trade volume	4.D	7.2	5.9	1.4	-0.4
sustrial country import volume	1.8	72	4.8	1.8	-0.4
veloping country import volume	9.3	7.2	7.9	-0 1	-13
mmodity prices					
	-11.5	-6.0		8.7	-5.9
US dollars a barrel	16.13	15.16	15.15	1.40	0.58
nituel.	-3.8	13.16	6.5	7.6	4.4
nsumer prices					<u> </u>
ustrial countries	2.9	2.4	2.6	-0.1	
veloping countries	46.2	47.5	13.2	86	1.2
unines in Iransition	687.9	330.8	89.4	40.7	16 1

#### **Experts** give some to cut unusually public outspoken spending advice

It is unclear whether it is the effect of global economic recovery or the heady sensation of celebrating its 50th birthday: but the latest World Economic Outlook from the IMF is more straightforward in the policy advice it gives its members than previous issues.

It is particularly outspoken about the need for the US to raise interest rates further. Early in its report, it declares that "further increases in policy-related (US) interest rates are needed...if overheating and a rise in infla tion expectations are to be

The Fund later declares that "virtually all indicators now suggest that little or no slack is left in output and labour markets" in the US. It writes: "Given the current cyclical position, there is an increasing need to move US monetary policy to a neutral position conistent with potential growth of about 2.5 per cent a year by

raising rates further." Explaining this advice, Mr Michael Mussa, director of the IMF's research department, said yesterday the Fund was not advocating a sharp rise in US rates. But it thought more tightening would be needed over the next six, nine or 12 months. Central banks, such as the US Federal Reserve, needed to be leaders, not followers, in

financial markets. The Outlook points out that. in spite of recent increases, both short- and long-term US interest rates remain low compared with the 1980s as a whole, and even with the mid-1980s. The Fund maintains that, in real terms, US short rates averaged 4.5 per cent and long rates 6 per cent in 1985-90, against 1.5 per cent and 4.25 per cent in mid-1994.

The IMF also urges the US to take further steps to reduce its budget deficit to put its debt-to-GDP ratio on a downward

trend. The Fund appears more satisfied with Japanese and German monetary policies. Although Mr Mussa said a small further drop in German rates was possible if the recovery slackened or inflation fell. the bottom for this business cycle had nearly been reached.

The IMF warns Japan it will have to resume fiscal consolidation over the medium term, "including a comprehensive social security and tax reform to forestall an unsustainable increase in public debt as the population ages".

Some of its toughest words are reserved for Italy, which yesterday put forward new budget plans. "Credible efforts to put the unsustainably high debt ratio on a declining trend during the balance of the decade are essential for Italy's longer-term financial stability and growth prospects," it says.

The IMF envisages a jump to 5.5 per cent in three-months' US interest rates next year from 4.4 per cent this year, against a rise to 2.7 per cent from 3.9 per cent for ven rates. It expects the three months' D-Mark rate to slip slightly to 4.8 ner cent from 5.2 per cent

# UK told targets

The IMF last night told Mr Kenneth Clarke, the UK chancellor, that he should cut public spending targets in his November budget to increase the credibility of Britain's eco-

nomic policy. Mr Michael Mussa, director of the IMF's Research Department, also warned that further UK interest rate increases would be needed at some point following this month's half percentage point increase in bank base rates.

In its latest World Beonomic Ontlook, the Find sa diture restraint was critical to the government's objective of eliminating public borrowing by the end of this decade.

It said that the decisions taken in last year's two budgets to consolidate the UK's fiscal deficit had already brought a sizeable reduction in both actual and structural deficits this year. "Reducing nominal spending ceilings in the upcoming budget to reflect lower-than-expected inflation will be important to enhance policy credibility," it added.

The IMF's comments suggest that the government's control totals in 1995/96 and 1996/97 should be cut from the £263bn and £272.3bn agreed last November. The remarks could prove helpful to Mr Jonathan Aitken, the chief secretary, who is currently negotiating with spending departments to keep public spending for 1995/ 96 and subsequent years inside the government's limits.

It is unclear how far the chancellor will be inclined to follow the IMF's advice. So far he has maintained that bitting the spending targets in this year's public expenditure round would be tough.

According to IMF estimates, the government's consolidation plans should stabilise the UK's ratio of net debt to gross domestic product at about 40 per cent by 1997. The IMF painted a generally

upbeat picture of the UK economy. It forecast it would grow by a real 3.3 per cent this year and 3 per cent in 1995 - well above the government's forecast of 2.75 per cent growth for each year.

It said that output growth in Britain began recently to out-pace potential. It estimated the output gap — a measure of spare capacity expressed as a percentage of GDP - at a relatively high 4 per cent, adding that it would be eliminated only in the medium term.

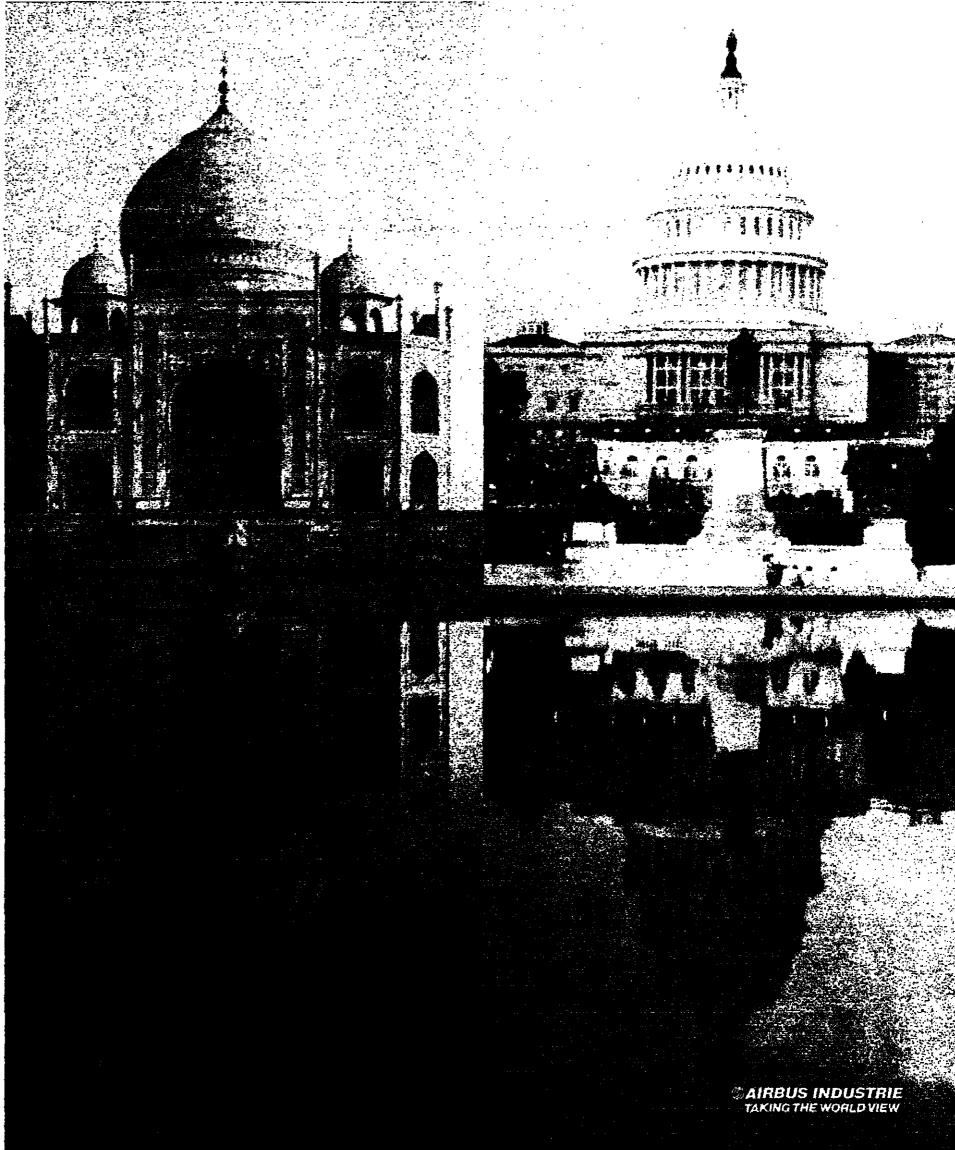
However, it also predicted that inflation, measured by the government's "underlyinflation excluding mortgage interest payments, would average 3.1 per cent next year. That would be higher than the 2.5 per cent anticipated by the IMF for this year, and in the top half of the government's 1-4 per cent target range.

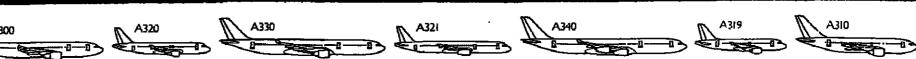
In predicting a future interest rate rise, Mr Mussa told a news conference he was not talking in terms of weeks or months. However, some form of tightening of monetary conditions would be needed in the course of the expansion.

#### The A340 has brought Delhi closer to Washington D.C.

The A340 is the langest range aircraft in civil aviation bistory. It can fly a full complement of passengers, in true wide-body comfort, for over 16 hours non-step. This opens up a whole new route network for the world's airlines. For example, the A340 can easily fly non-stop all the way from Frankfurt to Santiago, New York to Cape Town or Delhi to Washington D.C.

published next month.





# **US** durable goods orders rise sharply

By George Graham in Washington

US durable goods orders rose sharply in August, the Commerce Department reported yesterday, signalling that the US economy is continuing to expand steadily.

The Commerce Department announced that new orders for manufactured durable goods rose by 6 per cent last month to \$154bn, a slightly steeper increase than had generally been expected.

The increase provoked short-lived fears in the financial markets that the Federal Reserve would need to raise interest rates further to bring the pace of economic growth back to a steadier and less inflation-prone level.

But the jump was not much larger than had been anticipated and was set against a 4 per cent decline in July. After an initial flurry markets settled back to watch other indi-

The Federal Open Markets Committee, which sets the Fed's interest rate policy, made no announcement of any change in interest rates after its meeting on Tuesday. Financial markets have interpreted

gave Mr Alan Greenspan, the Fed chairman, considerable leeway to raise interest rates if economic data before its next meeting in November show the economy still growing faster than can be sustained without

an upsurge in inflation. But the Fed chairman was not expected to respond so soon after the FOMC meeting to one apparently strong economic statistic, particularly one as volatile as durable goods orders, which can bounce wildly because of a

handful of new aircraft orders. Mr Ron Brown, commerce secretary, said the durable goods data indicated investment was still an important factor behind economic expansion. He called this "a positive sign for productivity growth prospects and for sustained moderation in inflation".

The commerce department said motor vehicles and parts contributed to over half both of the rise in orders in August and of the fall in July because some car makers had retooled for the new model year a month earlier than usual.

Transportation equipment including aircraft, rose 19.1 per cent in August after dropping 14.8 per cent in July.

## Yeltsin pledges 'lasting peace'

President Boris Yeltsin of Russia yesterday promised a lasting peace between his country and the US as he approached the end of his wo-day summit with US President Bill Clinton.

"There are people in my country, though few, who say that our relationship with the US is transient and that an era of confrontation will return. But I would like to tell you that we have never fought the US and I believe, and I can say as president of Russia, that we will never fight the US," he

where the two presidents opened an exhibition on the Russian Orthodox Church and the indigenous peoples of Alaska, Mr Yeltsin continue the bonhomie and back-slapping that has marked this

"There are some extremist radicals from my country – people of poor education, I think, and of very low origins
- who demand Alaska back for Russia. But I don't think this is serious stuff," Mr Yeltsin said, referring to the call sometimes made by Mr Vladimir Zhirinovsky, the Russian nationalist leader, for the



Good-humoured summit: Yeltsin at a White House dinner

return of Alaska, which the US bought from Russia in 1867 for

Some differences between the two countries remain unresolved, although one of the sharpest disagreements, over whether to lift the embargo on arms deliveries to Bosnia, has at least been put on ice by the Bosnian government's request

Mr Yeltsin yesterday

ing the embargo. "Now the Bosnian Moslems think they have to wait six months. Let's wait for six months and then perhaps we can decide once and for all that this should not

US officials said some agreement was expected on another issue that has caused friction between the two countries: Russian sales of military equipment, especially subma-rines, to Iran.

# Summit fails to resolve rift on Bosnia | Haitian MPs fly back . to draft amnesty law

rum." He added: "It [the parlia-

ment] is a Haitian institution.

It's a convocation of the very

important Haitian parliament."

As well as the deputies and

ing, US officials were hoping

that some of the 13 parliamen-

tarians in hiding in Haiti

would also attend. The 82-per-

US military

will not stand

members to achieve a quorum

US servicemen working side-

by-side with Haitian police offi-

cers guarding the legislature were expected to bar the 11

senators elected in January

1993 in a poll which the US,

among others, believes to have

been stage-managed by the

There was considerable

interest outside the parliament

buildings yesterday as to

whether Gen Cédras, who as

Haiti's commander-in-chief has

the constitutional right to

idly by while

this looting

goes on'

in 16 months.

Cédras regime.

By James Harding in Port-au-Prince

US efforts to achieve the first quorum of the Haitian legislature in more than a year looked set to be rewarded as a dozen exiled parliamentarians senators returning from the US and Canada yesterday mornwere flown in for the ceremonial opening of parliament yes-

The special session was convened by elected President Jean-Bertrand Aristide primarily to pass a law granting amnesty to General Raoul Cédras and the army generals who seized power in a coup three years ago. The military leadership is expected to step down once the law is passed. The meeting yesterday was ceremo-nial and the business of drafting an amnesty law is due to

get under way today.

The deployment of US troops around the parliament build-ines is a further illustration of the significance the Clinton administration is placing on the amnesty law, which would not only mark the end of military rule but could pave the way for the reconciliation of Aristide supporters and Cédras

loyalists. The conspicuous US presence has led to criticism in the Haitian press that the nation's democratic institutions are being violated. As a result, there will be no US army presence inside the chamber.

The delicacy of respecting Haitian sovereignty while sending in servicemen to secure its legislature even tripped up the deft Mr Stanley Schrager, US embassy spokesman, who said: "We need a quorum, no. they need a quo-

Mr Bernard Sanzarico, president of the Senate, was understood to be preparing a draft of the amnesty law, although another draft that was due to be debated last year before its author, the then Justice Minister Guy Mallory, was assassinated, has found favour with a number of deputies and, unofilcially, with US embassy offi-

son Chamber of Deputies has not mustered the necessary 42 President Aristide, in con vening parliament, has called on the assembly to debate not only the amnesty but also six other pieces of legislation, including the separation of police and army powers.

Continued looting of human

itarian foodstores elsewhere in Port-au-Prince was a further cause of concern to US officials yesterday. The embassy announced that the transport of USAid food had been temporarily stopped, but did not give a date when the lines would be

US army officials would not promise non-governmental organisations army protection, but pledged that the "US mili-tary will not stand idly by while this looting goes

Mr Schrager confirmed that the surge in pillaging was a reflection of the breakdown of domestic policing. "Clearly we are seeing some police stepping back and letting the law and order situation evaporate." he said "but I can't tell whether it's by design or happen-

#### this absence of any clear signal Strike hits GM plants

By Richard Waters in New York

Production in three of General Motors' North American plants stopped yesterday as a parts shortage began to be felt fol-lowing a walk-out on Tuesday by 11,500 workers at a parts

plant in Flint, Michigan.

The dispute threatens to stall most of GM's North American plants. It has focused attention on the company's hiring practices in the wake of soaring production volumes this year. The United Auto Workers

union says the company is forcing its members to work increasing overtime to raise production, rather than hiring new workers.

As part of its effort to plug growing labour shortages in some plants, GM has also offered incentives to encourage workers to move to plants which are understaffed.

The company has cut its hourly workforce in North America by around 50,000, to 250,000, in the past three years in an effort to bring these operations back into profit.

# Labour dispute may put hockey season on ice

Owners threaten to lock out players if new deal is not hammered out

Already deprived of the most exciting part of the baseball season, North American sports fans now face the prospect of hammered out in time for the no ice hockey as a result of scheduled opening of the seaanother labour dispute son on Saturday. Hopes were between owners and players, slim yesterday that the writes Bernard Simon in protracted and increasingly hostile negotiations would be concluded before the deadline. Owners of the 26 US and As in the six-week-old base-

Canadian teams which make ир the National Hockey League (NHL) have threatened to lock out the players if a new collective agreement is not

and Hockey Night is the longest-running programme on television. One Toronto newspaper columnist yesterday pinned the blame for the impasse on the "cowboy mentality" of the two American ball strike, the public is vent-

lawyers who represent the owners and the players' union. ing its anger on both sides. The issues in the hockey disespecially in Canada, where pute are similar to those which hockey is the national sport brought the baseball season to

a premature end. In both cases they reflect the degree to which the entertainment element of sport has been overshadowed by business.

The NHL posted revenues of about C\$700m (US\$522.3m) in 1993, and expects a substantial increase in coming years thanks partly to a C\$155m fiveyear contract signed recently with Mr Rupert Murdoch's Fox

television network. But the owners are demanding various concessions from the players to hold down spiralling salary bills, and to secure the future of financially strapped teams in relatively small markets such as the Canadian prairie

Connecticut. The players are concerned however, that the owners are

city of Winnipeg and Hartford,

aries. The owners have already proposed a limit on first-year players' pay of about C\$275,000

With the exception of a few superstars, notably Wayne Gretzky of the Los Angeles Kings, hockey salaries are gen-erally well below those in baseball. But 75 players now earn more than C\$1m a year - led by Mr Gretzky's C\$8.4m - compared with just three players five years ago.

The engines are quietly humming at 37,000 ft. above the Indian Ocean. And you wish you could sleep. Then you remember who you are flying with.



# In the past year, we've

seen our storage

business grow

30%, our PC

business grow 100%, and our

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lessons learned in our PC operation to our core business. The
result: a division with its own
manufacturing, engineering, sales
and marketing—one that lets us
pay more attention to your needs,
with systems unequaled in their
openness and range of choice.

#### THE BEST OF CISC

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equally supported platforms—Intel™
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high performance PC clients and
servers, and our 64-bit Alpha AXP™
RISC for absolutely blinding
performance in workstations and
servers. And we offer the only
products you can convert from
CISC to RISC.

Now the industry is finally beginning work on 64-bit RISC, and we're happy to see this endorsement of Alpha AXP. But HP and Intel say it'll take a few years. We have 64-bit RISC now. With 6,000 applications.

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Fact is, Digital is a multiple operating system company because that's what most of you are. In DEC OSF/1, we have the most standards-compliant, highest quality UNIX in the industry. It gives you outstanding high availability features through clustering and the fastest recoverability of any UNIX on the market. And ours is the only commercial 64-bit UNIX system, which experts say will keep us the price/performance leader for years.

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work. We plan to support it,
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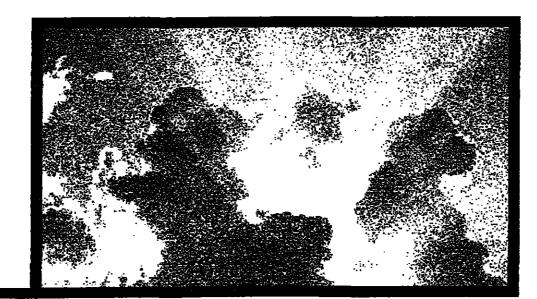
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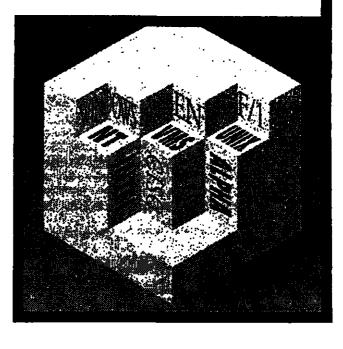
we're planning a comeback.



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Nothing proves this better than our pioneering 64-bit RISC architecture. Where else in this industry are so many competitors so far behind a single leader? Right now, our Alpha AXP clients and servers offer the highest performance and the best price/performance you can buy.

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Just like us.

digital

#### **NEWS:** WORLD TRADE

Negotiators want agreement with Brussels revised upwards to reflect market changes

# Japan to press EU over vehicle imports

vehicles, the first year-on-year gain in 15

months. Last month's decline was partly

By Michiyo Nakamoto in Tokyo

Japan will press for an increase in vehicle exports to the European Union this year due to stronger than expected growth in demand. The request will be made when trade negotiators meet for consultations in Brussels today.

During the two-day talks, Japanese trade negotiators are expected to request that an agreement to maintain exports of Japanese vehicles to the EU at 984,000 units be revised upwards to reflect market

"The market is expected to grow more than we anticipated in March. The basic policy is to

Japanese vehicle exports are likely to record a rise again in September, having seen a temporary decline in August, Reuter reports from Tokyo. The Japan Automobile Manufacturers' Association (Jama) said vehicle exports fell 8.8 per cent from a year earlier to 325.174 units

ket is to be fully liberalised.

from Thailand using Kallback

would be 23 per cent cheaper

than a conventional call by

"It's an arbitrage situation between countries," said Mr Joel Eisenberg, Kallback's chief executive. "We have

found a new market develop-

ing among businesses in coun-

tries that have very high rates

Most of Kallback's customers

worldwide are individuals, but

companies account for more

than half its call volume. In

Thailand, where traffic conges-

tion in Bangkok keeps busi-

ness executives in their cars

for hours at a time, half Kall-

back's accounts are for mobile

The state-owned CAT shares

direct dialling.

like Thailand."

The level of Japanese vehicle

in August. In July they edged up 0.3 per cent from a year earlier to 405,578

grows," an official at the Minis- mined through consultation try of Trade and Industry said. and depends on an agreed fore-Under an agreement reached cast for regional demand. The in 1991, Japan is committed to two sides have also agreed that if demand varies significantly keeping its vehicle exports to the EU within an agreed level from initial forecasts, the each year until the end of 1999, agreed level of exports could be when the EU automobile mar-

The Japanese authorities agreed in March to keep Japa-nese exports to the EU this

due to higher exports of new Honda Accords to the US in August 1993, Jama "August posted a short-lived decline. Exports in and after September are likely

decline in three months, due to poor demand in Europe where domestic carmakers boosted their sales by providing incentives. Nissan's vehicle to mark a year-on-year increase again, exports fell 11.7 per cent from a year said Mr Hiroshi Suemasa, a senior analyst exports increased accordingly. Vehicle registrations in the EU

at Kankaku Research Institute.

However, Missan reported that August

exports marked the first year-on-year

to 7.5m units.

year at 984,000 units on the basis of a forecast for overall market growth of 2 per cent. That would have represented a nearly 18 per cent decline from the level of Japanese vehicle exports to the EU in 1993.

Increasing the level of Japase vehicle exports to the EU However, Miti now expects is likely to unsettle European the EU vehicle market to grow vehicle producers. The Japanese share of the European 5-6 per cent this year and

between January and July

have already risen 5.8 per cent

per cent by 1998 from nearly 12 per cent in 1992, according to DRI, the UK-based analysts. But it is unlikely that Japa

nese vehicle exports to the EU will actually increase significantly even if the quota is raised, as the strength of the yen has eroded the price advantage of Japanese cars exported to the EU. Japanese vehicle manufacturers have boosted manufacturing capacity in Europe in recent years. with Japanese plants already accounting for more than a fifth of British car production.
The overall result has been

that in the first eight months of this year, Japanese vehicle exports to the EU fell nearly 30 per cent to 561,156 units.

companies, given that the call-

back services still account for less than one per cent of the

land (TOT) - another body

influenced by the armed forces

which has the monopoly of all domestic fixed-line traffic in

Thailand - is attempting to

enforce a concession agree-

ment giving a company called

Lines Technology the exclusive

right to provide domestic

Critics of the TOT have ridi-

culed the deal, pointing out

that several companies, includ-

ing banks and business infor-

mation companies, are already

providing data services to their

customers via TOT lines and

The CAT, as it tries to stifle

competitors in its international

fiefdom, has vowed to use

unspecified "protection tech-

niques" against the callback

providers, although it has yet

"Thailand has still main-

tained the CAT monopoly and

the CAT is fighting tooth and

on-line data services.

are unlikely to stop.

total international market. Thai monopolies do not give up easily, however. The Tele-phone Organisation of ThaiWORLD TRADE NEWS DIGEST

# US audio-visual industry seeks to woo Europe

Mr Jack Valenti, chairman of the US Motion Picture Association, yesterday called on the European film industry to co-operate with its US counterpart and to let viewers "make their own decisions about what they want to see".

In a speech to be delivered at the American Chamber of Commerce in Paris, Mr Valenti said the US wants to see "a dynamically successful French audio-visual industry". The stronger the French industry became, the larger the French audience would be, he said. The US would get a share of the larger audiences. Co-operative efforts between European producers and the US film industry were already under way, he said. Referring to French efforts to limit US television programming in the EU, he said that new technologies "will dely restrictive regulation. "Barriers, protectionism, hedge rows are out of place in a world of creative competition and expanding visual choice. He who builds walls to keep others from coming in soon discovers that he has difficulty getting out," he added. Nancy Dunne, Washington

1164

fuell

#### Caribbean in EU mission

Four Caribbean prime ministers today embark on a mission to Europe to seek clarification on trade relations between the European Union and members of the African, Caribbean and Pacific (ACP) group. The mission will meet representatives of the French, German, Greek and British governments and will express concern about the future of its European banana market. It will also press the case of Caribbean rum producers who have been arguing for an increase in their EU rum quota. Canute James, Kingston

#### Bouygues wins Nigeria deal

Shell Nigeria has awarded a \$158m turnkey contract to Bouygues Offshore as part of a project to rebuild its Forcados oil terminal near Warri. Forcados was built nearly 25 years ago and the terminal and surrounding infrastructure is due to be modernised at an estimated cost of \$400m. The work will be carried out in phases to minimise disruption to production and export at the terminal, which handles just under half of Shell Nigeria's oil output.

Shell is the operator and 30 per cent equity partner in a joint venture in which the Nigerian National Petroleum Corporation (NNPC) holds 55 per cent, Elf Aquitaine 10 per cent and Agip 5 per cent. Paul Adams, Lagos

■ Ikarus, the state-owned Hungarian bus manufacturer, has signed a contract to supply 400 buses to Indonesia, its biggest order from the country so far. The buses, to be used for city bus services, are due to be delivered by August of next year. The deal has been under discussion for two years. Ikarus, one of Hungary's largest companies, was badly hit by the collapse of Comecon, the former East bloc trading organisation, but in the past four years has successfully penetrated new markets in the Far East and western Europe. Virginia Marsh, Budapest ■ Malaysia's Golden Hope Plantations is negotiating to set up its second palm oil refinery in China. Golden Hope's first refinery in Jiangyin City will be operating by August 1995. Reuter, Kuala Lumpur

■ Glaxo, Europe's biggest drug company, has opened an office in Rangoon to help Burmese hospitals conduct research projects. Glaxo has branches in 70 countries and is marketing its products in 150 countries with total sales amounting to \$5.6bn in 1993-94. Chit Tun, Rangoan

## Callback services help reverse Asia charges Victor Mallet on phone services that undercut monopolies

nly the most profligate managers could fail to be tempted: businesses in thrall to national telecommunications monopolies in Asia are being offered savings of up to 50 per cent on international telephone calls by US 'callback" companies.

Such companies have already made an impact in Latin America and Europe. In south-east Asia, the growing popularity of money-saving callback services has been highlighted in recent weeks by protests from the state-controlled monopolies in Singapore and Thailand.

Aimed at first at US expatriates and travellers seeking to avoid exorbitant international telephone rates and hotel surcharges outside the US, the callback services are finding new customers in stockbroking firms and other businesses with high volumes of international voice and data calls.

Customers typically save money by dialling a designated number in the US and hanging up after one ring. A computer from the callback company immediately rings back - a call from the US to Thailand is much cheaper than from Thailand to the US - and allows the customer to dial on anywhere in the US or abroad.

Seattle-based Kallback, one

of the leading US "re-origination" services, says that a cal-ler from Thailand dialling the US telephone company Telegroup has launched a toll-free callback service for European subscribers which it says will more than halve weekday phone calls inside Europe. Reuter UK via Kaliback in the US reports from Brussels. The service, called Global Access, allows would make savings of 38 per cent over the rate charged by subscribers in Europe to route calls through telephone switches the Communications Authority in the US and Europe to take advantage of lower prices. of Thailand (CAT) on an average call; a call to Australia

Telegroup says it has 30,000 subscribers worldwide, of which half are in Europe. To make a call the subscriber dials the Global Access network in New York, using a touchtone phone, enters a code corresponding to his telephone number, and then hangs up. The subscriber is called back in a few seconds, receives a dial tone and then makes the call.

traffic to add hefty premiums. Officials from the CAT, an organisation with close links to the Thai air force, recently denounced callback services and said they undermined Thailand's national interest.

Similar protests were made in Singapore; international charges there are more moderate than Thailand's, but the partly privatised Singapore Telecom (ST) has a monopoly until the year 2007. "It became a major issue," said Mr Eisenberg. "They said it [callback service] was illegal. Now Singapore Telecom has backed

revenue with foreign tele-The Singapore government decided that ST should respond communications networks on calls both out of and into Thailand, but on outgoing to the challenge by offering calls it uses its monopoly better service at competitive control of all international prices, although the callback

companies, which already have about 40,000 users on the island, are not allowed to advertise in the Singapore media because they are not licensed to operate there.

In Thailand the CAT has accused the callback companies of breaking the law, but no-one can find any law they are violating and the companies have been advertising their services in the press. Thailand will probably have

to do something similar to Singapore," said a Bangkok stockbroker whose company recently subscribed to Kallback, "which is to admit that it's part of the service. The CAT are more concerned about their bonuses at the year-end rather than the consumer." There have been some cases



around the world of national telecommunications monopolies harassing caliback companies by dialing their numbers repeatedly and jamming their systems, but Mr Risenberg said this had not happened to Kall-

He added that it was probably not worthwhile for monop-olies to alienate telephone users by attacking callback

28% 38%

nail to hold that," said Mr Daniel Finemau, a senior stock analyst at stockbrokers Jardine Fleming Thanakom. "I see no sign that they are willing to give it up any time soon.

to act.



trees a minute, how can planting just a handful of seedlings make a difference? A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people

that can force them to chop down trees. Where hunger or poverty is the underlying cause tion, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, car paperya and manages from WWF trees. And rather than baving to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing vancties to form a renewable fuel source,

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two bundred years to mature. The Markhamia lotes trees planted by WWF and local villages can be harvested within five or six years of planting. Where trees are chopped down to be used for

construction. 25 in Panama and Pakistan, we supply other species that are fast-growing and casily replaced. These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costs Rica, where WWF provides technical advice or

New tracts of tropical forest would then have to be cleared every two or three years.

combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again,

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (instead of clearing the usual ten becares of forest.) WWF fieldworkers are now involved in over 100 propical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable. WWF is calling for the rate of deforestation in the

tropics to be halved by 1995, and for there to be no net deforestation by the end of the century Write to the Membership Officer at the address

below to find out how you can belp us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation or, appropriately enough, a legacy.



FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.

# PRESSURE

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FT Surveys



Land Rover, the leading European maker of four-wheeldrive sports/utility vehicles, is moving into new territory with the launch today of a new generation Range Rover.

Developed in a four-year. £300m investment programme as a luxury flagship for the Rover group, the new Range Rover is aimed at moving the company into direct competition with established luxury car producers such as Mercedes-Benz, Jaguar, BMW and Lexus (Toyota).

"The major bustness opportunity is to appeal to a much wider group of traditional luxury saloon owners," said Mr John Towers, Rover group

The only vehicle in the world to have been exhibited at the Louvre in Paris as a work of art, the Range Rovar, launched in 1970, is already a classic in the world motor industry - an executive/luxury or with polished wood trim but with the capability of crossing fields, streams, deserts and jungles.

The off-road capability is being maintained, but Land Rover has spent heavily to develop the new lange Rover's on-road credentias as a luxury

Priced between £31,950 and £43,950 and with a top speed of 125mph (200kph), the Range Rover is being aunched as a head-on competior for buyers of luxury cars such as the new Jaguar XJ serie unveiled yes-terday, the BMV 7 Series, the Mercedes-Benz E and S-Class and the Lexus S400.

The new liness only one element in a stratgy being devel-oped by Rover a subsidiary of BMW of Germany since early this year, which could more than double land Rover production by the late 1990s.

Production expected to reach a recor 85,000 this year, is forecast to xceed 100,000 for the first time in 1995, as sales are boosted by the launch of the new Range Rover and by

moves into ew markets. Land Rove is also developing a range of smaller Land Rover vehices as part of the group's £1 bn, five-year new model inverment programme. I The poorer half-of-the popu-

# Pergau dam companies censured

The government yesterday censured three of Britain's leading industrial companies for their role in helping to build Malaysia's Pergau dam, while playing down the part played by Mrs Margaret Thatcher (now Baroness Thatcher), the former UK prime minister, in negotiations over the project.

In a formal response to a recent offer of £234m to help build the dam, it criticised the main companies involved Balfour Beatty, Trafalgar House and GEC - for providing Mrs Thatcher with incomplete information over the financ-

The government did not question the judgment made earlier this year by the Commons Foreign Affairs Committee that Lord Younger, the former defence secretary, had acted in a "reprehensible" way by signing a protocol on arms sales that committed the UK to offer civil aid to Malaysia.

Responding to the committee's judgment that Lord Younger should first have consulted the Foreign Office. which is responsible for the administration of overseas aid, the government merely stated that it "acknowledges the importance of widespread consultation both within Whitehall and with over-

But the six-page government

settle the 15-week rail dispute

is expected to win overwhelm-

ing endorsement from the sig-

nal workers over the next two days.
But members of the signal

workers union, the RMT, are

still threatening to bring Lon-

don Underground to a halt for

The package accepted by the

union executive and negotiated

with Railtrack, the state-owned

company that operates the net-

work's infrastructure, is being

put to a telephone poll of union

members today and tomorrow.

The main points of the deal

An average increase in total

earnings, including overtime

and supplements, for signal-

● A 20 per cent average

A one-off lump sum pay-

• A further 2.5 per cent

annual pay rise this year back-

The first three elements of the

deal are linked to future pro-

ductivity improvements. They

do not include any payments

for past efficiencies - the

demand made by the union

Mr Jimmy Knapp, the RMT

transport union's general sec-

retary, said vesterday the deal

was an "excellent" one for the

signal workers as well as being

track and the railway industry

generally. It is a victory for the

"sound investment for Rail-

that led to the dispute.

men of 8 per cent this year.

increase in basic rates;

ment averaging £480.

dated to April.

24 hours tomorrow.

response rejects claims made by the Foreign Affairs Committee that a series of ministerial replies on the funding of the dam - including one given by Mrs Thatcher - were "less open and less informative" than the House of Commons had a right to expect.

Instead, in 17 written responses, the government directs clear criticism at the consortium of companies which had advised Mrs Thatcher on how much it would cost them to build the dam before negotiations with the Malaysian government in March 1989. In its report on the affair, the commit-

tee noted that the consortium led by Balfour Beatty had "put pressure" on Mrs Thatcher to make a firm offer to

Rail settlement reached

£316m. Shortly after the deal was struck, the cost escalated to £397m. This increased the cover required under

Britain's Aid and Trade Provision. The government stated yesterday: "It would have been helpful if the consor tium had been forthcoming about the risks of a significant price increase. Pergau affair is the allegation by senior UK officials that the project was an "abuse" of the UK aid programme which would spoil the Malaysian environment. The government stated yesterday that the aid would produce muchneeded peak-time power in an environmentally friendly and sustainable way.

#### **Britain** in brief



#### Ministers set to review energy trust

Ministers will shortly be considering options for rescuing the troubled Energy Savings Trust, a central component of the government's

energy-efficiency policy.

A report by officials from the Treasury, the Department of Trade and Industry, and the Department of the Environment on a review of the trust's long-term funding is understood to be near comple-

The trust's £700m budget up to the year 2000 was supposed to be funded by levies on gas and electricity consumers. But this year the gas industry reg-ulator stymied the scheme by refusing to authorise a levy on the grounds that it was a form of taxation.

#### Rescue for new private hospital

A private hospital set up to cater for patients from overseas has been saved from the brink of receivership by its bankers and by the Scottish Office only three months after

One lender to Health Care International, a £180m hospital at Clydebank near Glasgow, is understood to have become alarmed at the small numbers of patients being treated in the hospital. The consortium of banks agreed two weeks ago to advance more money and the Scottish Office speeded up payment of a grant to ensure the company's survival.

HCI is now attempting to raise a further £15m in equity by October 14 in order to reas-

The 260-bed hospital offers acute treatment to patients who are unable easily to obtain treatment in their home countries and who cannot afford to go to the US for treatment. Some £29m in public funding has been paid or committed to the project.

Scrabble at 50 as Saga cuts age limit

You no longer have to be 60 to play scrabble with pensioners in Torquay, roll your woods along the bowling greens of Bournemouth or to go ballroom dancing on the cruise

ship Canberra.
Saga, the travel group which sells holidays to pensioners, is breaking with a 45-year tradi-tion and lowering the minimum age of its customers from

Mr Roger De Haan, Saga's chairman and the son of its founder, said yesterday he had originally opposed the change but had accepted that his group should cater to the growing number of pensioners

The change will lead to a large increase in the size of Saga's market. There are 12m UK residents over 60 and a further 6m between the ages of

Mr De Haan said: "I reckon there are going to be 6m deeply depressed people contemplating the thought that they qualify for Saga holi-

#### Discount airline sales may get rules leeway

The Civil Aviation Authority is considering scaling down plans to regulate airline ticket "bucket shops", which sell air-line tickets at a discount, in spite of support for tougher legislation from consumer bodies, trading standards officers and tour operators.

#### Satellite group aims up-market

Eutelsat, the European satellite organisation, is planning to target the UK market in campaign designed to take satellite television more upmarket

Until now the British market has been dominated by the channels on the Astra satellite system, particularly the subscription channels of British Sky Broadcasting.

Eutelsat hopes to use new English language channels on its Hot Bird satellite, due to be launched at the end of November, to reach UK view

# Inequality fuelled by tax, study shows

The distribution of wealth across the UK is extremely unequal, with most households having no substantial savings other than their houses and pensions, a new economic study has shown.

In a further factor that may exacerbate inequalities, the savings of the poor are apt to be taxed more than those of the rich, the research suggests. The study, by the Institute for Fiscal Studies in London for the Joseph Rowntree foundation, says the tax discrepancy is due to different savings nethods used by rich and poor.

According to the survey, the average amount of wealth held by households is about £3,000, excluding pensions and housing. That overall figure is skewed by a small number of very wealthy individuals about half the households have savings of less than £450, the

Poorer households tend to attract higher taxation, primarily because their savings are concentrated in interest-bearing accounts at banks and building societies, which are taxed more heavily than other forms of wealth.

and finance. He is now firmly

part of the establishment with

among other things, director-

before joining construction company Taylor Woodrow as a

director at the age of 30. Within three years he switched

to building materials company

Redland, moving through the

post of managing director of

Redland Tiles in 1967, becom-

chant bank.

lation, hold some 60 per cent of accounts, much of the rest held in national savings accounts. Among households with between £50 and £450 worth of

savings, 80 per cent of that is in banks or building societies. The richest part of the population holds much of its wealth in specialised financial assets given generous tax treatment. Shares, PEPs and other investments such as unit trusts account for about half the savings of the richest top 5 per cent of the population.

The report, which drew on a five-year research programme by the National Opinion Poll, notes that this profile has shifted in recent years, with a fall in the proportion holding interest-bearing accounts. The IFC concludes: "Stocks

of housing and pension wealth are the most important - often only - forms of wealth for most households. Only the minority of households have enough liquid financial wealth to provide for unexpected hardship, such as unemployment, before they actually retire." The Distribution of Wealth in the UK; by James Banks, Andrew Dilnot, and Hamish Low. IFS. 7 Ridgemount Street. London WC1E 7AE. 26.



Robert Horton: "An agreement to modernise working practices

steadfastness of the signal Railtrack's chairman, Mr

to modernise the working practices in the railway industry. The essentials of this package Robert Horton, said: "At last have been on offer the RMT we have reached an agreement executive since June."

#### PEOPLE

# Glaxo replaces Sir Paul with Sir Colin

Sir Colin Corness, chairman of career largely in construction building froup Redland and of the Natiowide Building Society, is a add to his list of chairmaships that of Glaxo, the pharmaceutical company. Sir Clin, 63 next month,

replacesSir Paul Girolami who retires it the agm on November 18/The changeover will take plice on May 17 next year Redland after 30 years there.

when Sir Colin retires from Borl into a wealthy Scots family Sir Colin (right) has stellar commercial

Meanwhile, at Redland, Sir Colin is to be replaced as non-executive chairman by Rudolph Agnew (left), of Consolidated Gold Fields between 1983 and 1989. Agnew has plenty of

experience of construction markets and was previously chief executive of ARC which. like Redland, is a large British supplier of aggregates. He is currently chairman of Lasmo and Stena Sealink UK.

#### A welcome for Coats! Walls

Wellcome has found a finance director almost four months after the list man in the job, John Precious, said he was leaving "to pursue other oppor-

tunities".

The new incumbent is Russell Walls from Coats Viyella. Walls has been group finance director at Coats for four years during which time he helped transform the reputation of the company in the City by adding an unprecedented level of opennest to the company's accounts

Earlier this summer he and Coats swept the board at the first investor Relations awards for best results presentations. Walls leaves the textiles

industry after almost 30 years. After graduating from Glasgow University in pure science, he joined Coats Paton in 1966 at the age of 22. He held a variety of posts in the UK and overseas before joining the main

He joins Wellcome at a tricky time; chairman and chief executive John Robb has come under pressure for holding both posts, and the company's second biggest product, Aids drug Retrovir, has had mixed fortunes in long-term ■ After a year-long search, Thames Water has appointed a managing director for its international contracting and

consulting arm.

Tony Eckford, a qualified engineer and deputy chairman and chief operating officer of the process and energy divi-sion of construction group Amec, will take over from

Eckford will be expected to continue the process begun by Thames's chief executive, Mike Hoffman, of bringing together the company's nonregulated international busies into one division. Thames, like other water

companies, has been pursuing international contracts to operate waste and water plants as a way of building non-regulated income. The company is particularly keen to strengthen its presence in the Far East, South America and, eventually, eastern Europe. There, the pace of economic activity is creating increased demand for water and waste services

Thames found the search for an international managing director difficult. It has been forced to pay a generous remuneration package, including performance-related bonuses and share options. Eckford will be on a rolling contract of at least two years.

tive of the whole company from 1977. He built a reputation for innovative energetic management and an ability to pick able associates.

ships of the Bank of England and of S.G. Warburg, the mer-His appointment ends a long He trained as a barrister search by Glaxo for a non-executive chairman to work alongside deputy chairman and chief executive Sir Richard Sykes. Sir Colin's salary, of around £200,000, is a fraction of the £1.4m package Sir Paul was paid in his last year as executive chairman



#### Finance moves



Hilary Wild, 45, who has been with Kleinwort Benson Investment Management since 1990, has been appointed managing director of Kleinwort Benson Charities, the firm's fund management division, where she will be responsible for managing funds in excess of £500m.

shipping finance, before tak-

ing over as sales director of

Wild's career is evidence that being a chartered accountant does not necessarily lead to a dull life; she spent time in Greece - between 1981-84. as country representative for Marine Midland bank – and New York, where from 1986-1990 she was chief of finance at the United Nations

Children's Fund. At UNICEF, which she found a very dynamic entity, Wild was primarily involved in overseeing the \$350m short-term investments of the organisation, as well as keeping a close eye on cash-flows of the 100-plus field offices. Joining Kleinwort Benson, she first was involved again in

leasing and asset finance. She became a director of Kleinwort Benson Ltd in 1992. In her new role she will be looking after the funds of more than 80 medical, educational, religious and other charities. In July this year Kleinwort launched two funds,

the Chariguard UK Equity Fund and the Chariguard Fixed Interest Fund, the first an index-linked fund, the secand a more conventional fund investing in government secu-

■ Scott Delman, formerly head of emerging markets corporate finance at Bank of America, has been appointed a director of FOREIGN & COLONIAL EMERGING MARKETS. ■ Robert Kyprianou formerly director of portfolio management at Salomon Brothers Asset Management in London, has been appointed head and chief investment officer of KIDDER PEABODY Asset Management.

■ Carol Goodwin, formerly md of Canada Trust Bank in the Netherlands, has been appointed md of GUINNESS MAHON GUERNSEY and Michael Palin, formerly south coast regional director of Hill

■ Barry Martin has been promoted to general manage for Greece for ROYAL BANK OF SCOTLAND, based in

■ Bill Dootson has been

appointed md of HENRY COOKE, LUMSDEN's private client division in Manchester, he and Martin Robinson, md of Henry Cooke corporate ■ Greg Cremen has been appointed a director of GARTMORE Capital Management, and Sally Tennant, head of the European equities desk, has also been

appointed md. Diane Wilde has

been appointed a director of

Gartmore Scotland. ■ Patricia Maxwell-Arnot, formerly a director of Lazard Brothers and head of its European desk, has been appointed director of European equity investment at CREDIT SUISSE Asset Management.

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(IPEC '95)

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#### **NEWS:** THE EUROPEAN PENSIONS RULING

and women applied to benefits under private

ment ages should be equalised. In the Dutch Ten

Oever case last year, the court ruled the Barber

judgment did not apply retrospectively. The out-

standing issues were settled by the court yester-

rustees of the pension schemes of Coloroll, the

UK wallpaper and home furnishings group which

collapsed in 1990, have been unable to wind up

the schemes because of uncertainty as a result

of Barber. The trustees asked the European

Q: Are pension scheme trustees bound by the

equal treatment principles set out in Barber, or

just employers? A: Trustees are bound to apply the equal treat-

Q: Where pensions are received as a lump sum

funded by contributions from employer and

worker and are used to buy an annuity, is it OK

for employers to make equal contributions for men and women or must the employer ensure

equal benefits? Should trustees have regard to actuarial factors showing women live longer than men when calculating contributions and benefits? A: Equal treatment rules are satisfied provided

employers pay equal contributions. The use of

actuarial factors varying according to sex is not

covered by the European equal freatment rules.

equalise down the benefits of men and women?

has had an "objective justifica-

tion" for barring them from

schemes. In the 1976 case on

which the court based its ini-

tial decision the employer

argued - and the court accepted - that part-timers

were barred from the scheme

because they had less commit-

ment to the company and the

employer wished to discourage

Mr Cunliffe said: "I think it

will be very different as a prac-

tical matter to convince UK

courts of that." However, the

full-time women in the pension

scheme or large numbers of

men among the part-timers

would certainly aid an employ-

Mr Cunliffe said it appeared

unlikely that part-timers would

take up the option to partici-

Women's share in part-time employment (%)

sence of large numbers of

hiring them.

# Court ends wait after four years

By Norma Cohen, nvestments Correspondent

Employers throughout Europe have been awaiting the definitive word on sex equality in pensions for four years.

In May 1990 the European Court of Justice ruled in the landmark Barber v Guardian Royal Exchange case that pensions are a form of deferred

Article 119 of the Treaty of Rome, dealing with sex dis-crimination by employers, says men may not be paid more than women, or vice versa. But women's pension entitlements have traditionally been higher than men's because they have usually been allowed to retire earlier - although women are typically paid less than men. But the court gave no guid-

ance on how employers were to carry out its judgments, and a series of cases came before it. European employers, particularly those in northern Europe with big occupational for a series of decisions which

could cost them billions. Yesterday the court put to rest most of the outstanding issues and, for the most part, provided answers likely to limit the cost to employers of

equalising pension benefits. But the court made one ruling that surprised pensions consultants, opening a loophole allowing elements of inequality to continue in the

calculation of benefits. In the Coloroll case the court ruled that employers could continue to rely on "sex-based actuarial rates" for the calculation of transfer values and commutation values for those leaving the scheme. These take into account an actuarial assumption that women out-

Mr Martin Miles, pensions consultant at the actuarial firm of Bacon and Woodrow, said: "To some extent, this would seem to make a mockery out of equalisation."

But commentators felt that in other respects women had not benefited from yesterday's

discrimination and should have ended the practice long The court ruled that part-

sion schemes is frequently sex

time employees can claim ret-rospective benefits in respect of periods of employment dating back to 1976. That judgment has produced

The European Court of Justice yesterday gave its eagerly awaited rulings on six cases which are expected to form a definitive framework under which employers and scheme trustees can provide equal pensions for men and women. FT Reporters analyse the decisions and reactions to them

ner at solicitors McKenna and Co and lead lawyer for one of the cases, said the general effect of the sex equality rulings had been detrimental to women. He said: "These judgments have had the effect of reducing benefits for that portion of the population which is the lowest paid anyway."
In the UK between 80 per

cent and 90 per cent of pension payments are made to men. One element of the ruling has significant implications for employers, particularly in the

UK. Ireland and Germany. The court ruled that employers will have to admit parttime workers to pension schemes if barring them constitutes an indirect form of discrimination. The court said employers had known since its judgment in 1976 that barring

them to bear higher costs.

But pensions lawyers and actuaries say the cost of the ruling may not be nearly as

119 of the Treaty of Rome "is contravened only if the exclusion affects a much greater number of women than men, unless the employer shows that it may be explained by the objectively justified factors unrelated to any discrimination on grounds of sex".

rulings. Mr John Cunliffe, part- howls of outrage from employer groups. They say that their provision of pension schemes is voluntary and that there is no point in forcing

> much as might appear. Mr Cunliffe said: "These cases will have to be tested before the courts in each member coun-The judgment says article

> Thus, part-time workers will have to ask a court to deter

THE SIX CASES

All six cases involve issues of sex equality in Do they have to knowve benefits for men accoupension schemes arising from the European Court's May 1990 landmark decision in Barber v ing between May 1990 and whatever date the ampany took action to implement equal pension Guardian Royal Exchange - that Community rules outlawing pay discrimination between man rights?

A: Yes and Yes. Q: in men-only schemes, can men claim improved benefits they might have expected as a result of the Berber judgment if there had been women members?

SMITH Y AVDEL SYSTEMS.

A test case brought by five women, backed by the Equal Opportunities Commission, who worked for Avdel Systems an engineering company based in Welwyn Garden City, Herts. They were among 78 who brought claims before the incustrial indunal completing they were finan-cially worse off by the raising in July 1991 of their referencent age from 80 to 65 following the

Q: The court was asked whether it was legitimate for employers to worsen pension provision for

women in equalising pensions? A: For periods of service after implementation of equal pension rights, employers may raise the retirement age of women to that of men worsening their pension provision. This may not be softened by ancillary measures designed to minimise the adverse consequences. For periods between May 1990 and implementation of equal pension rights, advantages enjoyed by women as a result of lower retirement age may not be

VROERE V NOV A Dutch case about rights of access to pension hames by part-time workers. Q: Do the European equal treatment rules apply

employers.

significant bill.

About 20 per cent of the UK

workforce is part-time, concen-

trated in banking, financial

services and retailing. Many big UK supermarket chains

have started admitting part-

timers since the key sex equal-

ity ruling in May 1990 - Marks

and Spencer has done so since

1975 - but employers in those

sectors could still be hit with a

Mr Key said employers

might be able to argue objec-

tive justification in barring

part-timers because of adminis-

trative costs. Part timers, he

noted, had rapid job turnover

and frequent changes in the

numbers of hours worked each

week. The costs of administer-

offered it. He said: "Most part-

timers are not going to want to

join their pension scheme

because their pay is so low in the first place."

Mr Roger Key, partner at

consulting actuaries R. Watson and Co, said the bill for retro-

spective benefits for part-

£10bn in the UK.

timers could be as high as

As a practical matter, how-

ever, most of that liability

and the court yesterday ruled

that any employee wishing to

claim retrospective benefits

would have to pay retrospec-

tive contributions. Mr Key said

part-time workers were

unlikely to have the sums nec-

essary to buy retrospective

Without the contributory

schemes, Mr Key estimates UK

occurs in contributory scheme

to access to pension schemes and, if so, is the right limited in time to the date of the Barber

Az Yes. The right is not time limited by the Barber Judgment and stretches back to Apri

FISSCHER V VOORHUIS HENGELO Another Dutch case on a similar point. Q: Do the equal pay rules apply to access to

If a worker can join a scheme retroactively must she pay back-contributions if the scheme is a contributory scheme?

A: Yes. That right is not limited in time to the date of the Barber judgment. If a worker wishes to join a scheme retroactively she must pay contributions covering that period.

VAN DEN AKKER V SHELL

In 1985 Shell equalised retirement ages at 65 but said it would protect pension rights of existing women scheme members by allowing them to keep a pensionable age of 60.

Q: After the date of the Berber judgment was i legal for women to continue to enjoy better benefits then men; and can companies ring fence and protect the rights of existing members of a pension scheme in this way? A: No. For periods between the Berber judgmen

ation conditions for male would have to be improved.

Q is the Dutch civil service occupational pension scheme covered by the equal treatment rules? A: Yes. It is not permissible for such a scheme to

discriminate against married men.

£2bn. He added: "However, that is concentrated among a them in a schem

force employers to include relatively small number of Pensions consultants pointed

out that employers in other European Community states could face a significant bill. In the Netherlands, for instance just over than 30 per cent of the workforce is part time and much of that is female. Mr Bob Bunicich, a director

liam M. Mercer Riedmulder in Amsterdam, said about half of Dutch pension schemes did not require worker contributions and most of these schemes excluded part-timers. He said: "The Dutch pension

at actuarial consultants Wil-

funds feel that if the female workers have to pay for the retrospective benefits they will not claim them." The estimate of the cost to

employers of part-time workers

#### ing pensions could be so great pate in a contributory pension employers' liability for retrolive men and will give rise part-time workers from penmine whether the employer spective benefits at £1bn to Employers fear backdated costs of up to £7bn

By Ronald van de Krol in Amsterdam and Nicholas Denton

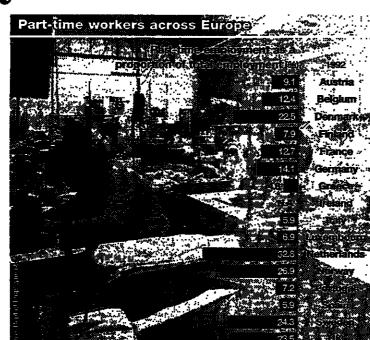
Employers reacted anxiously to yesterday's ruling by the European Court of Justice that female part-timers could claim pensions retrospectively if they pany schemes.

The costs are substantial said Mr Robbie Gilbert, employment affairs director of the Confederation of British

Industry.
The CBI highlighted a government actuary's report that backdated pension demands by part-timers could alone cost companies and their pension funds about £7bn. Beyond that there is the administrative expense of tracing employees who might have left a company nearly 20 years ago. There is a practical difficulty of tracking people down," said Mr Gilbert.

Analysts have stressed that the numbers represent a theoretical maximum. Mr Paul Moloney, pensions officer of the GMB general union, went further and yesterday described the £7bn figure as "nonsense". He added: "If employers had been prudent over the last few years and set aside some of the pensions surpluses they reaped then there would not have been any

Anxiety in business remains nevertheless. Ms Hilary Langley of Watson consulting actu-



aries said: "People are very concerned by the judgment. It will be a nasty knock for employee pension schemes The strongest reaction to the European Court's move came from the UK but the Netherlands, with one of the highest

rates of part-time working in Europe, was also affected. The Netherlands' VB association of corporate pension funds said the change could cost Dutch pension funds up to Fl1.2bn (£436m). At least

100,000 workers, and perhaps as many as 165,000, may have

been excluded from their compension schemes in the Netherlands because they worked part time.

The Federation of Netherlands industry noted reports that the statute of limitations of each individual country would apply. In the Netherlands, employees have five years to claim back pay from an employer. With the European Court equating pensions

with pay, the same five-year limitation might apply to pension rights, reducing the bill to industry.
Business sectors responded

to the resolution of the court cases with varying degrees of anxiety. "The burden will not fall evenly," said Mr Gilbert of the CBI. "The main burden will fall on those companies with relatively high numbers of part-timers." Retailing and financial services would be hardest hit.

"It's not very good news," said Mr Nick Bubb, retail sector analyst at US investment bank Morgan Stanley. "If it became law it would have a very significant impact on food

and food retailing." Part-time workers make up 40 per cent of staff costs in non-food retailing. Mr Bubb thought a retailer such as W.H. Smith, with a large pensions surplus, could afford to finance back pensions better than some of its competitors.

group, said its scheme was open to part-time employees but only to those working 16 hours or more a week. "That is not fixed," said Mr Peter Styles, group benefits man-"We are looking gradually to ease that."

tory scheme and therefore could expect that employees would be cautious about making the retrospective contributions that would entitle them to retrospective pension pay-

A manager at one Dutch company in the catering business said: "It's not good for business if we're confronted with surprises dating back from the 1970s. The ruling would effectively be rewriting the pay-and-conditions agreements we signed 20 years ago. Most UK retailers played down the impact the European Court's verdicts would have, at least on their pension funds, if not on their competitors. Tesco, the food retailing chain. said its non-contributory pension scheme had been open to all part-timers for several

Marks and Spencer said the decision would have no impact on its provision of pensions for part-timers. M&S opened its scheme to part-timers in 1975 while the court ruling only addresses the period after 1976.
"I could see that for other companies it might make for financial difficulties," said Mr John

ager. "It does not matter for us. We are lucky in that respect because we grasped the nettle many years ago." Vendex, the leading Dutch

non-food retailer, said it expected to feel only limited effects from the ruling, in spite of the workers in its workforce. Until the Barber case in 1990, part-time employees who worked less than 840 hours a year were excluded from the company's pension fund. "All our part-timers are now in the pension fund and have been since 1990," the company said. "We don't expect any great interest among people who worked just a few hours a week in the past to pay the premiums that would allow

them to draw a pension." Trade unions such as the GMB and MSF welcomed the ruling on part-time workers. 'We have always said that part-timers have a right to join a pension scheme and it makes sense that it is backdated." said Mr Moloney of the GMB. But employees' organisations

criticised the decision of the European Court that equalisation of pensions could in some circumstances involve the worsening of terms for women. "When people speak of a £7bn cost to employers on the issue of part-time workers they fail to realise that companies are going to save many times that on the second ruling," said Mr Moloney.

By Nicholas Denton, John Ridding and Lionel Barber An 84-page court judgment takes a good while to come through the fax machine, let alone to digest. Many companies, trade unions, pension funds and associations therefore reserved comment yester-day. "We have to study the

Analysts •

beg time

to digest

judgment

document carefully," was a typical remark. The European Commission was a prime example. It noted that several provisions of a July 1986 directive providing for equal treatment for men and women in occupational social security schemes were now inoperable. As a result, the commission would propose

certain charges. But beyond that Brussels declined to comment. The commission starement resorted to the time-honoured formula: officials would have to study the judgment in detail. A fuller response is only planned for

next Monday. The private sector, even in the countries most affected by the court's ruling, was no more prepared. The benefits officer of one leading UK retailer admitted: "I haven't even heard of it." The London stockmarket was largely oblivious to the event. One retail analyst at an international investment bank describel the whole subject as "ratherarcane". He said it was only yesterday morning that any of the firm's equity salesmen had questioned him on the issue. I guess I ought to bone up a bt," he said.

That was in the UK, the European country with the most developed - and exposed private pensons industry. Some other European countries responded to the European Court juigment with what amounted o indifference. The dominant entiment was that the change in the law was "nothing to do wth us".

The BDA federal employers association in Grmany said the ruling would have less impact in German than in the UK, but were relutant to comment in more detail.

The French government and employers said the ruling would have little implication for their pension schemes, mainly because mot pensions tem. The Ministry of Health and Social Affairs said that under existing pensions legislation there was no dscrimination between partime and full-time employes, nor between male and female retirement conditions

"I do not see that hese rulings will affect our existing system: it is not eally a French issue," said at official at the Patronat employers' federation. He said, however, that reforms of the state system aimed at enabling conpanies to create private pension schemes would have b take account of the rulings.

The French government plans to reform the existing system to ease the burden on the current pay-as-you-go state scheme. But the reform has been delayed, partly because of political sensitivity.

The legal change in pensions may not be a French issue, nor a German one nor one for most continental European countries. Still, few could compete in ignorance or indifference with one UK retail analyst. European Court of Justice? Pensions ruling? He asked: "What ruling?"

## The Financial Times plans to publish a Survey on GreaterAtana on Tuesday, November 1

Atlanta's claim to be the capital of the booming Southeast of the US is likely to be confirmed when it hosts the 1996 Olympic Games. This survey will cover the city's preparations for the Olympics, including the upgrading of the City's infrastructure. It will also examine its role as an international business centre in light of the growing importance of the Southeast region of the US.

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FT Surveys

A total of 1,400 competition winners, most of them in their late teens and early twenties, have been flown from all corners of eastern and western Europe, for a week's all expenses paid holiday. To get there, they had to be successful in a variety of Pepsi Max promotions. from finding lucky-number ring-pulls, to composing slogans the exact competition details have been left to Pepsi marketers in each country.

Prizewinners are playing basketball with Magic Johnson, receiving tennis coaching from former Wimbledon champion Pat Cash and receiving fashion advice from supermodels Linda Evangelista and Karen Mulder, who have all been flown in by Pepsi. The entire multi-million dollar event has been designed to complement Pepsi

max's sporty positioning as a low-caloric cola drink for youths wanting to "live life to the Max".

The Ibiza event, gigantic in scale though it is, with Pepsi still adding up the millions of entries to the promotion across Europe, could be the start of something even bigger for Pepsi's parent company, PepsiCo. For the US group - which has in its stable Pizza Hut, KFC (formerly Kentucky Fried Chicken). as well as snack foods such as Walkers Crisps - has also used the event to unveil plans for European growth and co-operation between its hitherto autonomous business

Using the Ibiza venue during the weekend before the first batch of lucky prizewinners arrived, PepsiCo invited more than 600 trade customers, including supermarket, petrol station and leisure park operators, to sample Club Pepsi Max hospitality and to listen to presentations about the company's

In particular, the company wanted to get over the message that PepsiCo has more to offer than a brown fizzy drink

For example, it wants to see petrol stations and retailers who may currently stock Pepsi, also considering their snack products and even wanting to site quick-service KFC or Pizza Hut

outlets on their premises.
Says Charlotte Pinder, marketing director for Pepsi Max Europe: "We've been quite poor at working together with some of our sister companies in the past. We've always been encouraged to be autonomous units."

PepsiCo has combined an ambitious

promotion with a plan to squeeze suppliers, writes Diane Summers

# Living life to the Max



This has had its benefits in encouraging competition between PepsiCo's businesses, but it has also meant, says Pinder, that best advantage has not always been taken of the "huge overlap in target audience" between the businesses.

Also under-exploited has been the overlap between the goods and services purchased by all the separate businesses. For the last year, PepsiCo's European heads have been meeting to see what economies of scale across operations might yield.

The target is to save \$100m (£66m) a year across Europe, out of costs of about \$2bn, by using the combined muscle of the separate businesses.

All this is due to happen within a

According to Paul Steele, Pepsi-Cola's vice-president, sales and marketing in Europe: "When we went through the list it was surprising. For example, Pizza Hut buys an enormous quantity of cardboard for their boxes; Pepsi-Cola buys cardboard for soft drinks trays. We're looking at whether we can leverage that

The same potential economies of scale could apply to the purchase of flour, salt, spices, cooking oil and TV advertising airtime, say the heads of PepsiCo's different divisions. Says Steele: "The businesses developed very separately. We didn't have the scale to do this before, but it has suddenly become a very exciting

The building of this scale in Europe, which was outlined for the first time to trade customers in lbiza, is intended to take PepsiCo over the next six years from an organisation which reaps 80 per cent of its profits from the US, to one which is reliant for only 50 per cent of its business on the home

As an example of the kind of growth to be expected, David Williams, who is responsible for Pizza Hut in Europe, says there are plans to invest over \$100m in his operation over the coming year; from 1,000 units today, the aim is to build to 6,000 across Europe by the end of the decade.

Purchasing specialists agree the target of \$100m-worth of savings by co-operation between businesses on purchasing - equivalent to about 5 per cent off PepsiCo's European bills - looks realistic, when compared with other companies'

experience.

Mark Ralf, group purchasing director for SmithKline Beecham worldwide, and a member of the Chartered Institute of Purchasing and Supply, agrees that "you can generate huge benefits out of this kind of focus".

His purchasing operation has taken about £200m over three years out of about £3bn of the group's costs world wide. But, he warns, PepsiCo could discover what many companies have found: "Identifying the savings is one thing, actually making them happen is another."

Another specialist in the area points out: "Americans have a relatively naive view of what bappens in Europe. They tend to believe that getting synergies across Europe is the same as getting synergies across the US. As well as cultural differences, there just aren't the integrated supply chains that you have across America. They expect Europe to be

the United States of Europe."
At Club Pepsi Max over the past few days, PepsiCo is convinced that it has found the pan-European youth dream. Consumer research conducted by Pinder throughout Europe for the promotion resulted in "surprise within the company that teenagers in different countries are a much more homogenous group than anyone had imagined," she says. There was universal excitement among young people about the idea of being a star for a week in the company of celebrities.

The next year will see how far suppliers and trade customers can be persuaded to share PepsiCo's pan-European dreams and

# The fast way to a Japanese stomach

Emiko Terazono explains why Pillsbury succeeded where others failed in a challenging market

racking the Japanese market is daunting enough for foreign food processing companies at any time; doing so in a period when demand is sluggish

s even more challenging. Pillsbury Japan, the Japanese arm of the US food processing company, has managed to clear both hurdles by forming busines relationships Japanese style and introducing innovative products at lower prices.

The company has seen strong growth in Japan at a time when most domestic and foreign food companies are struggling amid a sluggish economy and increasing

Building on its "Green Glant" brand canned corn, Pilisbury Japan has carved itself a niche in the canned and frozen vegetables market, and sales have grown from Y2bn (£13m) in 1987 to Y10bn last year.

Part of the success, says Toshi Mitamura, president of Pillsbury Japan, has been in maintaining good relations with its Japane partners, businesses involved in product distribution and PR companies.

It is essential to form a strong relationship with a company's nanagement – even if it means late night drinking sessions and karaoke – and to involve them in marketing plans from an early stage, he says.

This aspect of doing business in Japan has been the Achilles heel for many foreign food makers. Forays into the Japanese market by companies which tried to go it alone such as Borden, the ice cream maker and Campbell Soup. have failed.

But while establishing a favourable relationship with QP, which handles its canned vegetable line, and Nissui, a frozen foods company, which distributes Green Giant frozen vegetables, Pillsbury says it was careful to retain control of product development and the marketing of its brands.

Another important factor, says Mitamura, is empowerment to the local head from the parent

"Japanese companies will not take you seriously if the local president is not given full authority over decisions."

Mitamura, who gained his expertise in the food industry at Morinaga, a Japanese dairy goods maker, and Mister Doughnuts of the US, adds that knowledge of the complex distribution system, the speed of introducing new products and knowing how to handle red tape at the Ministry of Health and Welfare is also important in the

Once in the Japanese market,

It is essential to build a strong relationship with a company's

management - even if it means late night drinking sessions and karaoke

expanding business has also been a challenge. Although Japan's Y32,152bn food processing market is one of the world's largest growth has stagnated over the past few years.

Pillsbury has tried to overcome this by introducing frozen vegetable products designed for the Japanese market. One product which other frozen food companies have followed is the burdock and carrot vegetable mix,

often used in Japanese cooking. The research and development has paid off and the company now has 43.5 per cent of the frozen

egetable market. "Product development is always necessary," says Mitamura, adding that there is danger in total reliance on the parent company and the brand name Mitamura says foreigu food companies have an advantage over domestic companies because they

can offer cheaper imports. With discounting already a trend in the Japanese retail sector. foreign companies can attract mers without hurting profit margins by bringing in low-priced products processed in their manufacturing bases abroad

Lower import prices as a result of the ven's recent rise have therefore helped Pillsbury expand its product range in Japan. This month it will start offering its Dough Boy baking products, and last month it opened a food research and development centre – its first overseas technology centre outside the US - to target

the Japanese and Asian markets. The expansion in the region comes at a time when growth in the US food market, Pillsbury's core market, is slowing and companies are being forced to look for earnings growth oversca

The fast-growing Asian economies present profit opportunities because a company can develop products in Asia and then offer them to the growing Asian population in the US Some analysts point out the

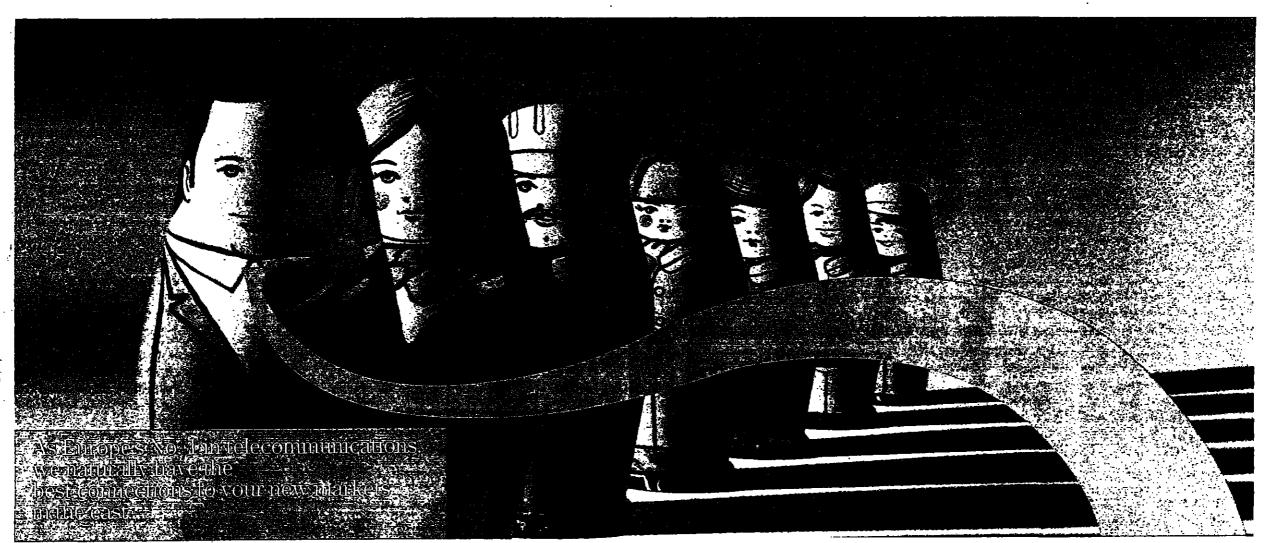
danger in rapid expansion in new areas at a time when the Japaneso economic recovery is at an early and tentative stage.
"Although market research may

show demand, many foreign food companies have found themselves in trouble when trying to introduce new products," says Patricia Horvath, foods analyst at brokers UBS Securities in

At the same time this is a good moment to invest, says Mitamura. Most Japanese companies are reducing capital investment. Construction orders and property prices are on the decline, which made it easy for Pillsbury to find a contractor to build its new technology centre.

However, he adds that the environment surrounding food manufacturers in Japan is becoming increasingly tough because of the rise in retailers' low-priced, private-brand labels.

"In order to survive, food manufacturers have two choices. Either become a sub-contractor for a retail group, or become a manufacturer with brands that offer innovative products at competitive prices," he says.



Whether it's easy access to international telephone lines, or setting up inter-office computer links, fast and efficient two-way communications are an absolute must for western companies doing business in the emerging markets of eastern Europe. Unfortunately, the existing public networks in these countries cannot cope with the traffic demand and this creates a severe problem for many companies.

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# New tools for routine jobs

A new generation of computing tools is being pressed into

service in some of the most competitive and innovative sectors of the finan-Financial cial services indus-services try. "Intelligent" IT innovation computing techto imitate human behaviour in the

way information is sifted and responses made. They include neural networks, which are interconnected computing units that loosely resemble the function of neurones in the human brain; genetic algorithms, which help find the best solution from large amounts of data; and fuzzy logic, a tool for deal-

They are being used in a range of applications, including credit assessment, fraud detection, forecasting and portfolio management. Banks believe they have the potential to sharpen their competitive edge, since their adaptability and skill at manipulating large amounts of data often surpass traditional sta-

tistical techniques.
Almost every large financial business in Europe and the US is experimenting with these tools, according to Sergio Focardi, a partner of the Intertek Group, a Paris-based research organisation which has conducted a survey of advanced computational methods in 80 international banks. This research, in which banks are typically investing

crack insider dealing rings.

raud investigators at the London Stock Exchange are testing pioneering "intel-ligent" technology

The exchange recently conducted a pilot study with an automated insider dealing detection system, codenamed Monitars (Mon-

itoring Insider Trading and Regulatory Sur-

veillance), installed by SearchSpace, a com-

pany that uses University College London's

detect dealing rings of several individuals, or

The problem, which is extremely difficult

to solve using conventional techniques, such as statistical analysis, involves spotting the

one individual with several accounts.

arch in intelligent systems. The aim is to

ligent" technology in an attempt to

as highly promising, he says. Some hankers are very enthusiastic. "The potential is incredible," says Bill Edisbury, manager of

emerging technology at TSB bank.
The TSB has been experimenting for five years with building models using neural networks' ability to learn from experience. TSB General Insurance in Newport uses such a model to set premiums for personal loan protection insurance, based on data from national unemployment statistics and claims histories. The bank, together with University Col-lege London, has also exploited the pattern-recognition ability of neural networks by building a model that was 57 per cent successful in forecasting the direction of the longdated gilts market.

But for every enthusiast, there is a sceptic. Many financiers believe that these computational techniques promise more than they can deliver. Moreover, the secrecy that surrounds most banks' experiments in the field is believed often to hide disappointing results. "It is a triumph of optimism over experience. People's experience has been mixed

to poor," says one banker. The performance of these tools depends largely on where and how they are used. Intertek's Focardi believes that the success of the tools in forecasting markets' behav-iour lags behind their success in dealing with relatively simple questions in credit assessment, fraud

up to \$3m (£1.8m) a year, is viewed "the results are consistently good". He says: "Forecasting is a more difficult subject because of the intrinsic complexity of markets' behaviour, the possibility of struc-tural change and the lack of data." Even enthusiasts such as Edis-

bury believe that the take-up of these tools by the financial markets may be slower than originally

expected.

The tools are not necessarily expensive or difficult to apply. One package, devised by Right Information Systems, a software house, which is used in several banks, costs £10,000 and can be used by anyone with spreadsheet skills This system can run on a standard PC, although some users prefer high-performance computers.

However, many people are reluc-tant to use neural networks because of the difficulty in seeing how a particular decision was reached This is a particular problem in loan evaluation work, where it is often necessary to explain why a loan has been turned down. Another problem is "overfitting",

where the model finds spurious patterns in a given set of data. "Neural nets are so easy to abuse," says Konrad Feldman, a researcher at UCL. "The fact they have learned something doesn't mean they can generalise."

One way in which these weaknesses can be overcome is by combining neural networks with other innovative techniques in hybrid



ters used by a neural network model can be refined using genetic algorithms, which attempt to breed the best solutions from a set of random solutions in a manner analogous to the mechanisms of biological evolution. They are being used to construct useful trading rules from a set of plausible rules and in portfolio management to find an

ideal combination of assets. Neural networks and genetic algorithms can also be used in conjunction with fuzzy logic. Fuzzy logic provides a mechanism for handling imprecise concepts, such as "small", "big", "high" and "low", which is particularly useful in loan evalua-

tion and portfolio selection. Japanese banks have been in the forefront of these techniques. For instance, Yamaichi Securities uses fuzzy logic to make decisions for an uses a neuro-fuzzy system for a bond-rating programme. To a greater or lesser degree, all these computational tools are diffi-

cult to apply. Paul Refenes, an expert in financial engineering at London Business School, doubts that there have been been any "wholesale" successes in applying these tools to the management of money, and says that difficulties in quantifying risk will make banks reluctant to hand over large sums of money to these machines.

Yet even if their scope to manage money autonomously proves limited, they are expected to have a greater role in aiding research.
"They could replace certain expert areas in the financial services sector," says Edisbury, while Refenes says: "They will become a tool that traders and investment managers will have to use."

Philips as well as Sony and AT&T.

Magic Link uses General Magic's "Magic Cap" graphical interface, which presents functions in familiar scenes; the desktop, complete with telephone,

The magic way to keep in touch The latest personal communicators

promise a wide range of new functions, writes Louise Kehoe

It is "take two" for personal communicators, as a new set of players takes the stage with the launch in the US this week of Sony's "Magic Link", a second-generation of hand-held devices combining communications and personal computer functions.

Unlike the first "personal digital assistants", such as Apple Computer's Newton, which failed to live up to the expectations of their makers, Magic Link owes much of its wizardry to an network called PersonaLink,

provided by AT&T. While Apple's Newton is primarily a personal organiser, with some communications functions, the Magic Link is, first and foremost, a communicator. Weighing 20 oz, and measuring 7%" by 5%", the device automates many of the chores of communicating by electronic

pager, telephone or fax. The Sony product, and others from Motorola, Matsushita of Japan and Philips of the Netherlands which are expected to follow, are access devices for this

PersonaLink, which began operating in the US this week, is a foundation, or platform for an electronic community," AT&T says. Similar to established computer on line services such as Prodigy and Compuserve, PersonaLink allows users to send and receive electronic mail, access news services and go "electronic shopping".

PersonaLink is the first commercial network to support the use of "intelligent agents". These are mobile programs that can be instructed to travel the network performing tasks such as searching for a particular product or data. "Agent" technology is the creation of General Magic, a Silicon Valley company backed by Apple Computer, Matsushita and

notepad and postcards that can be used to send brief messages; a hallway with doors to rooms such as the library, for reference materials, and "downtown", with buildings that represent services such as a travel agent for booking airline flights.

Initially, PersonaLink will primarily be a messaging service with a difference. The service will offer users the ability to order incoming messages according to priority. PersonaLink also addresses another drawback of electronic mail - the need to know electronic mail "addresses", for which there is no central directory. PersonaLink subscribers can send messages to each other simply by name. An agent will automatically search the directory of subscribers, deliver the message and bring back complete addressing

information to the originator. Later this year subscribers will also have access to the PersonaLink Market Square, an electronic shopping mall. Through gateways to other electronic mail services, including the Internet. PersonaLink subscribers will be able to reach and be reached by millions of people. They will also be able to send (but not receive)

facsimile messages For now, Sony's personal communicator offers only limited wireless communications via the SkyTel satellite paging network. An optional plug-in card adds paging. In January, Motorola announced the "Envoy" personal wireless communicator, also based on General Magic software, with a planned sale price of \$1,500, (£950) but it has yet to come to market.

Sony's less ambitious approach, using conventional telephone lines rather than wireless services has helped keep the list price below \$1,000. It is expected to sell at about \$700.

Aimed initially at "technologically optimistic mobile professionals", Magic Link and PersonaLink could lighten the load of business travellers who carry a notebook computer, cellular telephone and pager around in their bulging briefcases

# Tackling insider dealing with fuzzy logic

"signature" of certain traders from a vast with several other "intelligent" techniques. Jason Kingdon, a UCL researcher.

It is an example of a pattern recognition problem that can be skilfully handed by a neural network, a computing device which has similarities with the structure and function of nerve cells in the brain.

The neural network is used in conjunction

amount of electronic camouflage, explains For example, it uses fuzzy logic, a mechanism for dealing with imprecise information, in order to be able to cope with some inconsistencies in the patterns picked out.

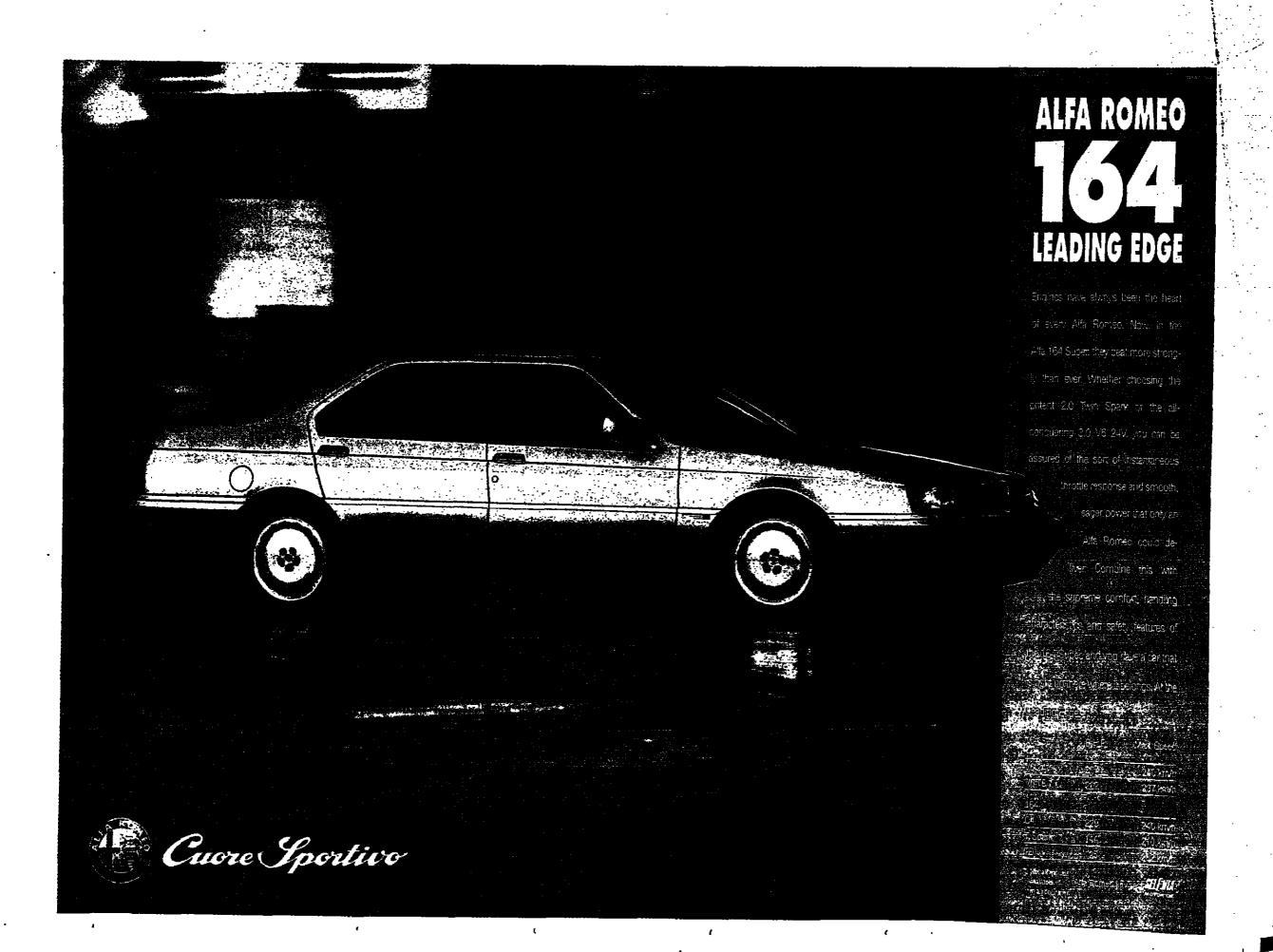
It also uses genetic algorithms, which use mechanisms inspired by biological evolution

to search very large data sets. In the Monitars systems, a genetic algo-

rithm is used to allocate resources by working out which lines of inquiry seem most promising. The machine is adaptable in that it starts with very precise criteria of what it should look for, which it gradually relaxes It is also capable of working autono-

mously, since it can set its own objectives. The London Stock Exchange has yet to decide whether to install the system permanently. "It is one of several means of analysing share movements which we are looking at to strengthen our regulatory operations

Vanessa Houlder



Cinema/Nigel Andrews

# Problem mothers

the mind musing on a question. Are there two different Ken Loaches? They obviously look and sound identical: the pixie features with finely ruffled hair and saintly unblinking eyes, the wisp of Midlands in the voice. But the two men seem to make totally different films.

Ken One makes those ironic, touching social comedies like Riff Roff and Raining Stones: all about Britain trying to smile through its dole-drums. Ken Two makes those strident message movies, loud with special pleading and pamphleteer-ing, like Hidden Agenda and now Ladybird, Ladybird.

K1 is a seducer, K2 is an agitprop rapist. If beguiling and reasoning do not work, Ken Jekyll turns into Ken Hyde and throws us to the ground, forcing open our defences. The new film's heroine is Maggie, a quadruple unmarried mother (four children by different fathers) whose offspring keep being dragged off into care: even, in one scene, straight from post-natal bliss in a maternity hospi-

But though she is both neurotic and neglectful - first seen accidentally imperilling her brood when she locks them in their hostel room shortly before a fire breaks out – she is not the demon in Loach's drama. That role is reserved for the social workers: presented without exception as bureaucratic harpies sticking to the letter of an unfeeling law. Their job is to be always one step ahead of our heroine, nipping her dreams of full-time parenthood

whenever they look like ripening. Emotionally, the film is so weighted towards Maggie that the welfare drones have no chance. She is played with scenery-chewing pasgion by newcomer Crissy Rock. A dumpy blonde with sandpaper voice and rumpled face, she looks permanently as if she has just emerged from a detox clinic. In fact Maggie

. 1,2

The seeing-double title of Ken Loach's new film.

Ladybird, Ladybird, sets

Ken Loach's new film.

Ladybird, Ladybird, sets

Ken Loach's new film.

Ladybird, Ladybird, sets how to batter, emotionally, her own new boyfriend, a do-gooding Paraguayan refugee called Jorge.

As played by Vladimir Vega, a sweet, drained, soft-spoken presence, Jorge is the only recognisable human being in the film. But even he wears a Loach placard round his neck. Ex-freedom fighter in his own country, his function is to nag us gently, insistently, into equating British welfare bureaucracy with Latin American totalitarianism. He even has a speech - Loach stops the film in its tracks so we can listen -

LADYBIRD, LADYBIRD (18) Ken Loach

> BAD BOY BUBBY (18) Rolf De Heer

> > **SPEED (15)** Jan De Bont

THE RED SQUIRREL (18) Julio Medem

about governments needing to create misery in order to exercise power over their people.

This equation is so outrageous that Loach should be hauled up and hung by the toes by all the children who have been rescued from genuinely abusive parents by genuinely concerned social workers.

Instead in Ladybird, Ladybird the cardboard carers are condemned by their patient voices and needling questionnaires. And mother-earth Maggie is sanctified by her screaming devotion to her tots and her flair for hurling invective at social visi-

tors over the tea and biscuits.

That Maggie can be a pain in the neck and a paradigm of bad parenting even Loach and screenwriter Rona Munro admit. But they do not seem to consider that a dent in their cannot have a human issues debate without two sides that inhabit a human dimension. In Ladybird, Ladybird Maggie and her Paraguayan Galahad are presented as flesh and blood or more than fleshand-blood. Everyone else is a cipher, or a mark on Ken Two's well-peppered polemical darthoard.

What fine kismet decided that Bad Boy Bubby should open in the same week as Ladybird, Ladybird? Rolf De Heer's black Australian comedy. honoured with Silver Lion at last year's Venice Film Festival, is about an emotionally arrested young man (Nicholas Hope) escaping from decades of house arrest under a mercilessly "loving" Mum.

This fat old crone - the sort of mother Loach's Maggie might turn into given a minor increase in her possessive hysteria - has kept Junior at home as her pet, her baby, her lover. And home is a surreal, Beckettian hell of grey walls, mouldering food and free-range cock-roaches. Watch Bubby eat one; watch actor Hope do it for real. In the absence of caring social workers, all frightened off the planet

by Ken Loach, what can a poor boy do? Murder mother and briefly-returning Dad; smother them both in clingwrap. Then step into the outside world which not surprisingly, in this inside-out film from down under, is a kind of wacky Hades: Streets Of Fire meets Blade Runner. It is scarcely less claustrophobic than the home our hero has left. But De Heer has a catchy Candide humour. He is soon staging witty confrontations between his all-innocent wild child and the special-interest groups that run planet earth. Bubby brings his perceptual innocence and untutored morals to the Salvation Army, a grunge rock group, a cerebral palsy ward. The film turns from horror comedy to



Crissy Rock as Maggie with three of her children in Ken Loach's 'Ladybird, Ladybird'

we hardly notice when it happens.

Speed is a triple-jeopardy thriller about public transport. Mad bomber Dennis Hopper plants the TNT on a crowded elevator, a city bus and a subway train - in that order - while SWAT cop Keanu Reeves runs about with the gloves and pliers and the

gale-force warnings.

The long central bus sequence is so suspenseful that you never want it to end. The vehicle cannot dip below 50 mph or it will explode. Therefore, with a beautiful female passenger (Sandra Bullock) taking the wheel from the injured driver, and Reeves ranting instructions at her side, we plough on through rushraised freeway), sure in our hearts that neither petrol nor plausibility will run out.

The audience's natience certainly does not. Speed is near-perfect Hollywood action fare, directed at the double by a Dutchman (ex-cinematographer Jan De Bont) and scripted by Graham Yost as if under the fluence of unnatural stimulants. If Keanu Reeves is taking over the action hero franchise from Sly and Arnie, we welcome his fresh, youthful, Zen-buddyist approach. Bullock is a tough, funny heroine. And Hopper is a natural for mad bomber roles. That bulbous, smouldering, no-neck head only needs a coat of black paint and a fuse to terrify unwary commuters into believing it

Julio Medem's The Red Squirrel is a strange, tiresome fable from Spain. Boy (suicidal ex-rock singer) meets girl (amnesiac motorbike-crash victim) and takes her off on a campsite holiday, claiming he is her longtime lover. The premise is interesting enough to explain why Hollywood optioned the film for a remake. But nothing that follows is of interest at all. The fey, fidgety script wanders squirrel-like round the single location, finding and storing ideas and then seemingly forgetting where it put them. Minor characters remain minor, there is some silly animal symbolism; and we look back fondly to Medem's last feature, the daringly surreal Vacas (Cows), wondering where he buried and forgot the talent that went into that.

satire, and the change is so deft that pram, a truck, a 50-foot gap in the is the real thing. Le Cirque Invisible reopens Riverside



Victoria Chaplin

don Arts venue which closed its doors in April, has reopened after the first phase of an extensive redevelopment programme. Gone are the corner bookshop and hotchpotch of small gallery spaces. A new, glass-fronted entrance (on Crisp Road) leads directly into a deep, brightly lit, grey and white foyer where a long counter houses both box office and reception. The cafe and bar area, although transitionally streamlined, remains unresolved - the dark wood, bistro-style tables and chairs an irritatingly anachronistic element within the

But what of the studios? Seating capacity has been increased - to 500 (from 370) in Studio 1 and 400 in Studio 2 - at the expense of comfort. Studio 3, redesigned for small scale projects, can accommodate an audience of just over 100. The seats are of the small, shallowbacked, red plastic variety and the tightly packed rows offer minimal leg room. Should you actually lean back, it is likely to be against someone's knees. When Riverside's director, William Burdett-Coutts, decided to add Robert Lepage's epic The Seven Streams of The River Ota to his autumn programme, he must surely have blanked out any thought for the comfort of his audience. Le Cirque Invisible, the show with which Burdett-Coutts has chosen to

reopen Studio 1, lasts almost two hours, yet it is not the kind of event which compels viewers to sit quietly rigid. This self-contained mini-circus founded by Victoria Chaplin and Jean Bapiste Thierree (her husband) some 20 years ago (as Le Cirque Bonjeur and, subsequently, Le Cirque Imaginaire) is not

really a vehicle for conventional, sawdust-ring skills and turns. Indeed, it features Chaplin treading the high-wire and the couple's acrobatic son, James, on elasticated trapeze and on various custom build cycles. But Chaplin and Thierree subvert the whole character and vocabulary of circus performance and, in doing so, multiply its essential magic and fun.

As the show's prize clown, Thierree injects the simplest tasks and ideas with totally absurd humour: pulling off a wig of shaggy grey hair only to reveal his own, identical mop; placing an open book in front of a dozy rabbit, accidenchopping carrots and celery at high speed. These antics - or maybe just Thierree's small but wildly inappropriate gestural flourishes - leave you weak with laughter. But Thierree also has an extensive solo repertoire of surrealist, chameleon characters, such as the Magritte-inspired zebra man and tapestry man. The latter, dressed from head to foot in needlepoint-realised pastoral scenes, carries a tapestry covered suitcase and peels a tapestry-skinned hanana.

As a conjuror. Thierree freely dabbles in the coloured handkerchief school of magic. Not that he aimed for - or achieves - the usual results: "a dog," he announces, letting a square of silk waft to the ground and lifting it to reveal a plastic turd. He also treats his props with a schizoid combination of brutish disregard and motherly care: metal objects are tossed into the empty wings; a dropped satsuma is recovered with a napkin. Of Thierree's Gallery of walk-on/walk-off joke characters, the most brilliantly perverse is an overcoated figure who clutches a spherical.

newspaper wrapped object to his chest and rips away the covering to reveal Thierree's bobbing, chattering head. The perfectly assessed brevity of these episodes contrasts with the more

sustained quality of Chaplin's solos most of which rely on the laboriously precise manipulation of large and heavy costumes for their clever, illusory effects. The most organic of Chaplin's designs is a free-standing, full length skirt structure in which she is hidden and which drifts and rolls precariously around the stage, like some decapitated Georgian dancer.

While Chaplin works slowly and the unidentifiable creatures of a vivid imagination, Thierree tends towards more prosaically human roles embracing both deliberate incompetence and irascible silliness. His comic mime take on the Pearlfishers duet - Thierree dressed as a medieval monarch and grinning like a village idiot, mouthing the words and tugging discreetly at the jaws of the singing puppets on his knees - is rib-achingly funny. After her husband's tomfoolery, it is easy to treat Chaplin's contributions as mere recovery time, but her more modest presence should not be underestimated. Together. Chaplin and Thierree have created a dream circus full of wondrous eccentricities.

Sophie Constanti At Riverside Studios until October 16. (081-741 2255).

#### A £1.5m boost for West End theatre

The West End theatre will receive a shot in the arm where it matters most today. in the balance sheet. It will announce a deal with a group of companies who are collectively investing £1.5m in the London theatre over the next three years.

The agreement has been put together by the Society of London Theatre, which represents the leading producers and theatre owners. Seagram, Radisson Edwardian Hotels, and Grolsch are the contributors to date, and other companies are expected to add to the kitty

soon. It could rise to £3m. The money will be spent on promoting West End theatre, and bursaries for young actors and would-be producers. Some of the extra cash will go to the Theatre Investment Fund, which supports plays put on by new producers. But the main impact of the sponsor ship will be the West End Proms when, for a month, perhaps next September 150,000 tickets will be offered at sub stantial discounts. The aim is to attract

under-25s to the theatre. For Seagram and Grolsch there will be promotional spin offs but also the ctical gain of having their brands on exclusive sale in around 70 per cent of West End theatres. Radisson Edwardian becomes the society's official hotel partner. This is the first big sponsorship deal gained by the society and comes at a time when the West End is holding its own fairly well. Ticket sales this year are on a par with 1993, which set a

Antony Thorncroft | Sponsored by National Power.

#### Concert **National Power** Piano final

n Tuesday the National World Power Piano Competition - no. sorry: the National Power World Piano Competition came to its finals in the Royal Festival Hall. The label does not trip off the tongue, and it sounds curiously displaced, which may be a negative asset in promoting it as a world-class contest.

It was being held for the second time, after a 1991 start which culminated with four deenly paremarkable finalists For the final 1994 event the Competition fielded not only Dirk Bogarde (as languid presenter) but the Princess of Wales (among the audience), which might seem like missing the point; on the other hand. this year's jury was properly laden with real pianists, not the multi-national pedagogues of 1991. On the strength of this last concerto-round, they identified more promise though I do not know what the whole field of candidates was like, nor did I hear the crucial

semi-final solo recitals. Bach contestant had to be ready to play either of two concerti, one to be selected by the jury. Whether its choice was determined by programme-desiderata or by guesses about what each pianist might play best, we were not told. The eventual result seemed to exclude the first possibility, since it crowded the programme with three of the longest concerti in the standard repertoire.

vgene Mursky, the 19-year-old Uzbekistani who won. played Tchaikovsky No. 1 with spirit, flair and much brilliance - hit-or-miss there were a lot of wrong notes, too many for the patience of most recording engineers. Naturally enough, he cannot yet stamp civry fustian passage with authority, and relied upon his conductor Jean-Claude Casadesus to guide the Philharmonia firmly through

Popular opinion takes this concerto for grand pianism, but it is not very pianistic at all - not in the sense in which master composer-pianists write "pianistic" concerti, with idiomatic piano troungilles. Trhaikovsky borrowed and devised a lot of ingenious, mechanical colour-effects for some hoping that a real planist might bring them off. Mursky's fingers brought off many of them.

Paul Lewis, 22 and British,

played Rakhmaninov no. 3, another warhorse, with more calculated assurance and a modicum of brilliance. Unfortunately nearly everyone – perhaps the judges too – remembered the performance by Artur Pizzarro that won him the last-but-one Leeds, and for fluent, committed passion Lewis was not in the same league. The American Jeremy Denk. 24. delivered Brahms One tidily and in modest, decept taste, without intruding any fresh thought upon it. His semi-final recital must have been much better.

**David Murray** 

INTERNATIONAL

#### BOLOGNA

Teatro Communate Tonight. temorrow: Paolo Carignani conducts Orchestra of the Teatro Communale in Saint-Saens' Fifth Piano Concerto (Aldo Ciccolini) and Franck's Symphony in D minor. (Biglietteria. Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. (051-529999)

#### FLORENCE

Teatre Communale Tonight, Sun, next Tues: Zubin Mehta conducts Jonathan Miller's production of Cosi fan tutte, with Karita Mattila, Dolores Ziegler, Deon van der Walt and Alessandro Corbelli (055-277 9236) Piccolo Teatro Tomorrow, Sat. Sun: Il filosofo di campagna, dramma glocoso by 18th century Italian composer Beldassare Galuppi (055-277 9236)

#### ■ LONDON

THEATRE The Venetian Twins: a transfer from Stratford of Ranjit Bolt's new

RSC version of Goldoni's 18th century Italian comedy, directed by Michael Boodanov. Starts previewing tonight, Press night next Wed (Barbican 071-638 8891) The Slab Boys Trilogy: the first London revival since 1982 of John

Byme's comic trilogy, which follows the lives of three Paisley boys from desperate youth to despairing middle-age. The three plays can be seen individually or as a comple package on certain Saturdays. Final previews tonight and tomorrow opens on Sat (Young Vic 071-928

 The Sisters Rosensweig: Maureen Lipman, Janet Suzman and Lynda Bellingham in Wendy sserstein's Broadway success about three American Jewish sisters who have a reunion in London. The production has just moved to the West End after a successful run at Greenwich (Old Vic 071-928 7616)

The Children's Hour: Howard Davies directs the National Theatre's new production of Litlian Hellman's 1934 drama, about a vengeful schoolgirl who accuses her teachers of having a lesbian affair and sets in motion the collapse of their world. The cast is headed by Harriet Walter and Claire Higgins. Next performances Oct 4-7 and 19-24 in

22521 The Playboy of the Western World: J.M. Synge's dark, cruel Irish comedy, in a brilliantly perceptive production directed by Lynne Parker Almeida 071-359 4404)

the Lyttelton (National 071-928

 The Seaguil: Judi Dench heads a splendid cast in Pam Gems' new version of the Chekhov play. In repertory in the Olivier with a new production of The Devil's Disciple.

Shaw's 1897 satire on melodrama (National 071-928 2252) The Winslow Boy: Peter

Barkworth is ideally cast as the stiff upper-lipped father battling Whitehall to prove the innocence of his son. who has been expelled from naval college. A well-made production of Terence Rattigan's well-made 1946 play (Globe 071-494 5065) The Miracle Worker: Jenny agrove is the beautiful heroine in William Gibson's well-tallored tear-ierker about the blind infant

(Wyndham's 071-369 1736) Saint Joan: Imogen Stubbs is the soldier saint in this fine staging of Shaw's wordy but gripping play (Strand 071-930 8800)

Beautiful Thing: the Bush production of Jonathan Harvey's uplifting play - about two boys who fall in love against a background of disintegrating families on a housing estate - has resurfaced in the West End following its sell-out success at the Donmar Warehouse in March Duke of York's 071-836 5122) Once on the Island: following

Broadway success and a self-out son at the Birmingham Rep, Lynn Ahrens and Stephen Flaherty's musical is welcomed into a specially created Caribbean environment at the Royalty. The fairy-tale story of a pessant girl's doorned love for an aristocrat is directed by David Toguri and Gwenda Hughes. Just opened (The Island Theatre at the Royalty

071-494 5090) She Loves Me: the charming 1963 Masteroff, Bock and Hamick musical about two longtime pen pals who don't know they work in the same parfumerie. Ruthle Henshall and John Gordon Sinclair head the

cast (Savoy 071-836 8888) OPERA/DANCE

Covent Garden The Royal Opera has revivals of La Cenerentola with Olga Borodina, Raul Girnenez and Simone Alaimo (next performances

tonight, Sat, next Tues and Thurs, continues till Oct 15), and Turandot with Sharon Sweet and Gluseppe Giacomini (final performance of this run on Mon). The next new productions are Das Rheingold and Die Walkure, opening Oct 13 and 14 (071-304 4000) Coliseum English National Opera's

repertory consists of a new production of Tosca, conducted by lexander Gibson and staged by Keith Warner, with Rosalind Plowright in the title role (next performance tomorrow, continues till Oct 27), and a revival of The Mikado (tonight, Sat, next Tues and Thurs). A new staging of Massenet's Don Quichotte opens on Oct 8 (071-836

Sadier's Wells Cumbre Flamenca, a touring Spanish flamenco group, is in residence till Oct 8 (071-278 CONCERTS

Barbican Tonight: London Symphony Orchestra 90th birthday gala, conducted by Michael Tilson Thomas, Colin Davis and Mistislav Rostropovich, Tomorrow, Sat: Paco Pena's Misa Flamenca, Sun: Tilson Thomas talks about and conducts Strauss' Ein Heidenleben. Mon: Gennady Rozhdestvensky conducts RPO in Rakhmaninov, Schnittke and Prokofiev, Tues: gala concert for Save the Children Fund, Next Wed and Thurs: Tilson Thomas conducts world premiere of new work by John Tavener, plus Mahler's Fourth Symphony - one of a series of LSO

Mahler concerts throughout October. Oct 7: Anne Sophie Mutter violin recital (071-638 8891) South Bank Centre Tonight: Franz Welser-Möst conducts LPO in works by Beethoven, Wagner and Henze,

with soprano Amanda Roocroft. Tomorrow: Matthias Barnert conducts LPO in Bizet, Martin, Debussy and Musorgsky/Ravel. Sat: Andrew Davis conducts BBCSO in Berlioz and Tristan Keuns, Sun: Jessye Norman. Mon, Tues and Wed: Shirley Bassey. Wed (QEH): Tallis Scholars sing Palestrina and Lassus (071-928 8800)

#### ■ MADRID

Teatro Lirico La Zarzuela Tonight, tomorrow, Sat, Sun: Spanish National Ballet in a mixed bill, Including choreographies by Victoria Eugenia and José Granero (01-429

#### **MILAN**

Teatro alla Scala Tonight: Kenneth Montgomery conducts Handel's oratorio La Resurrezione, with vocal soloists including Eva Mei and Barbara Fittoll, Sat: John Eliot Gardiner conducts Orchestre Revolutionnaire et Romantique and Monteverdi Choir in Beethoven's Ninth Symphony. Sun: Aldo Ciccolini plano recital. Mon, Tues, Wed: Carlo Rizzi conducts orchestral works by Gluck and Shostakovich, plus the world premiere of Marco Tutino's new clarinet concerto, played by Dimitri Ashkenazy. The October schedule includes concerts by Rudolf Buchbinder, Ruggero Raimondi, Francisco Araiza and the London Symphony Orchestra under

Solti. Riccardo Muti conducts a new staging of Monteverdi's L'incoronazione di Poppea, opening Oct 14 (02-7200 3744)

#### **■ PRAGUE Dvorak Hall Gerd Albrecht conducts**

the Czech Philharmonic Orchestra tomorrow in its first concert of the new season. The programme consists of works by Fibich, Viktor Uilmann and Brahms. Mon: Josef Suk violin recital. Tues: Tetsuji Honna conducts Czech Radio Symphony Orchestra in Mozart, Rakhmaninov and Brahms, with plano soloist Kvita Bilynska. Next Wed: Gaetano Delogu conducts Prague Symphony Orchestra in Mahler's Seventh Symphony (02-2489 3352)

#### **■ ROME**

The Orchestra dell'Accademia Nazionale di Santa Cecilia opens its 1994-5 season next Tuesday with a special concert conducted by Carlo Maria Glutini. Pierre Boulez and the Ensemble InterContemporain open the chamber music series on Oct 10. and the subscription series of orchestral concerts begins on Oct 15 with a Bach and Stravinsky programme conducted by Daniele Gatti. Visiting artists in the opening month include Barbara Hendricks, Krystian Zimerman and Vladimir Spivakov. Guest conductors later in the season include Rozhdestvensky, Giulini, Maazel, Berlo, Sinopoli and Sawatlisch. All concerts take place at the Auditorio di Via della Conciliazione (06-6880 1044)

ARTS GUIDE Monday: Berlin, New York and Tuesday: Austria, Belgium, Netherlands, Switzerland, Chlcago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague.

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Reports 1230

NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230,

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430.

# Powerful threat of German weakness



German politicians, particularly Chancellor Helmut Kohl, grossly underestimate the problems

REVIEW of transforming East Germany, and then made the task harder still through misjudged poli cies, argues David Marsh in his

book on Germany and Europe. In a shrewd and imaginative analysis of the impact of unity. Marsh develops a persuasive underlying thesis - the main threat to Europe comes not from German strength but

As Financial Times Bonn correspondent from 1986 to 1991 and European editor since 1991, Marsh witnessed German unification and the hesitant moves towards greater European unity at first hand. The author provides a pow

erful account of how the decisiveness with which Kohl selzed the opportunity to merge the two Germanys politically deserted him when it came to economic union. In 1990, Kohl talked of "flour

ishing landscapes" in the east within three or four years, and promised unity without pain no one will be worse off. The reality was different.

The combination of monetary union at a one-to-one rate. instant membership of the European Community, unrealistic wage rises and the shrinkage of eastern markets led to the almost immediate collapse of east German industry.

Economist Holger Schmieding described the impact on east Germany as "probably the greatest economic crisis ever to befall an advanced industrial economy in peace time", with a spectacular fall in output and employment.

Marsh describes how Kohl decided on immediate union overnight and then forgot to, or decided not to, inform the Bundesbank. "Seldom in the field of economic history had a step of such consequence been prepared with so little forethought.

Against the advice of Karl Otto Pöhl, then Bundesbank president, the government sion rate "which gave 16m east Germans the opportunity to satisfy their pent-up yearning

GERMANY AND EUROPE: The Crisis of Unity By David Marsh William Heinemann, 336 pages.

> Published in German as Der zaudernde Riese: Deutschland in Europa, C. Bertelsmann, 256 pages, DM39.80

for western consumer goods. but simultaneously stripped them of the means to earn the future incomes necessary to pay the bill". Disastrously, Kohl and his

coalition government promised west Germans that unification could be achieved without tax increases. When east German industry collapsed, annual public transfers of DM150bn were needed from the west to prop up income and consumption. This was largely financed by borrowing (though, after the election, taxes were also increased) - so much so that the public sector borrowing requirement soared from 1 per cent of west German gross domestic product to 7 per cent

This was not the only consequence of the failure to put the financing of unification on a proper footing. The Bundesbank - taking, as required by law, a strict view of its anti-inflationary responsibility increased interest rates three times in 1992 and again in July 1993. The west German economy, the growing uncompetitiveness of which had been disguised by an immediate consumption splurge, was plunged into a deep recession.

Marsh shows how the Bundesbank's tough policies, which may have been necessary for Germany, fed through into other European economies where they were inappropriate. High German interest rates prolonged European recession and led to two exchange rate crises which weakened the European Monetary System and delayed further the goal of

European monetary union. Marsh records a revealing telephone conversation that took place in October 1990 between John Major, at that time UK chancellor of the exchequer, and Pöhl before Britain joined the European exchange rate mechanism. The the last three recessions.

it thought sterling was overvalued at DM2.95. Major replied that Margaret Thatcher, then prime minister, insisted on going in at that rate. The author's judgment on Meastricht was that it was an understandable attempt, led by the French and enthusiasti-

cally supported by Kohl. to bind the new unified Germany into a "European framework to make, in Thomas Mann's phrase, 'a European Germany not a German Europe'". But because unification proved so much more difficult a task and had a much greater impact on the rest of Europe than most European politicians had believed, it was undermined almost from the start. Marsh argues that "Europe will not be united until Germany is united", and that Germany should concentrate on making

The author presents a relatively optimistic scenario for the future. The German system of corporate and social consensus will adapt itself to necessary economic and industrial change. Self-sustaining growth will begin in east Germany. The European Union, led by Germany, will shift its focus to the eastern half of Europe and prepare to admit Poland, Hun-gary and the Czech Republic. Plans for European economic and monetary union will be postponed, although a D-Mark zone will emerge with the pros-pect of a single currency in the form of the D-Mark.

a success of unification.

"A prerequisite for an effective and self-confident Europe is an effective and self-confident Germany with the ability to set the EC agenda along with its main European partners, France and Britain," the author concludes.

But how is that to come about if Germany is so preoccupied with its internal problems, if France resents German leadership, and if Britain continues with its traditional posture of continental reluctance? Maybe that is the subject for another book.

#### Giles Radice

The reviewer is Labour MP for Durham North. His own book on post-unification Germany will be published next year

he Nobel Prize-winning American econoonce said the stock market was good at predicting economic downturns; so good that it had predicted five out of

His point was, of course, that although financial markets contain useful information, they can often be wrong and should not be followed blindly. It is time to make the same point more loudly in relation to bond markets, financial futures markets and all the other markets which deal at one remove or another with fixed interest rate securities of

varying maturity.

One sometimes has the impression that the whole of economic policy is a play acted in front of a financial market audience. A Treasury permanent secretary, whom I visited in the pre-Thatcher days of "unbelieving monetarism", had a pile of reports on his desk analysts of the day. The permanent secretary probably did not believe a single word, but he wanted to read them because he feared they influenced the price of sterling.

The markets that are now

putting the fear of God into central bankers and finance ministers are no longer the foreign exchange markets but the bond markets. The latter are said to be afraid of the resurgence of world inflation, in spite of widespread evidence of an anti-inflationary climate in which intended price and pay increases are difficult to implement. The US is further along the economic cycle and displays more evidence of inflationary tendencies than Europe – let alone Japan where deflation is the main threat. But the Federal Reserve deserves some cheers for making its own decisions on the pace and extent of monetary tightening and for not simply reacting to the bond markets and their spokesmen.

How good are the bond markets at predicting inflation? for that balance. The top chart shows UK inflationary expectations, based on the difference beteen the yields on conventional gilt-edged securities and the yield on indexed bonds. Because the inflationary expectation relates to a 10-year average, caution is required. But if the gilt-edged market is correctly signalling an increase in inflation, it is likely that recorded inflation rates will start to rise before

too long. The forecasting record of UK gilts is decidedly mixed. In the

#### ECONOMIC VIEWPOINT

# Calling the bond market bluff

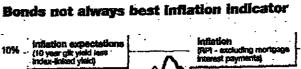
**By Samuel Brittan** 

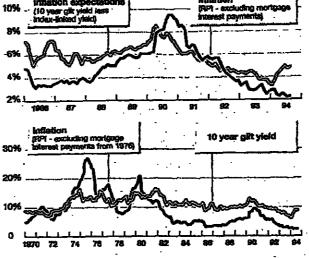
late 1980s, inflationary expectations were above actual inflation, but the gilt market forecast gave no warning of an inflationary boom until that boom had almost burst in 1990. Nor did the gilt-edged market anticipate the steepness of the fall in UK inflation in the early

In earlier years there were no indexed gilts to provide independent evidence of real interest rates. But nominal yields gave little warning of the lax monetary and fiscal policies of the early 1970s, until 20 per cent-plus inflation was almost upon the UK. Once positive real yields reappeared the 1980s they gave little clue to the inflation cycle but were just erratically following

actual events. I could not resist looking for comparison at an indicator that does not claim to peer ahead, but which does provide insight into what is actually happening: namely, some measure of total spending in nominal terms. Reflection suggests that the least bad measure is not nominal gross domestic product, but a variant known as domestic expenditure. This has two principal advantages for policy purposes. First, it excludes net exports (that is exports minus imports) and concentrates on domestic monetary flows that national authorities can influence. Second, an objective for domestic expenditure alone will leave room for an improvement in the balance of payments, without having any specific target

Some economists regard the mixture of real and inflation variables in a domestic expenditure target as a drawback. But from a policy point of view it is an advantage. For it recognises that official monetary policies can only help provide the conditions for non-inflationary growth. How far a given flow of spending translates into more real output and jobs, and how far it is dissipated in price and pay increases, depends on the





Domestic expenditure (at current prices Annualised half-yearty growth rate announcement o

actions of economic agents such as businesses and trade

The result of plotting domes tic expenditure is better than anything that could have been be expected. The third chart, which is a half-yearly moving average, shows that this measure uncannily tracks the course of the 1990 recession. the subsequent recovery and the fact that domestic expenditure is still only growing at just over 5 per cent a

One should avoid a monomanic approach. For instance, the third chart suggests that the UK is on course for a moderate non-inflationary expansion and does not on its own support a base-rate increase. But if it is taken in conjunction with material and commodity prices, industrial capacity surveys and other forward-looking indicators (including bond yields as one indicator among many), there is some justification for the pre-emptive moderate base-rate increase that took place earlier this month.

Precisely because the third chart appears too good to be true, the fourth chart plots the cruder year-on-year domestic expenditure increases over two and a half decades. The fit is still reasonable. It shows, for

of the boom from 1985 onwards, even though the impact was first borne by the balance of payments and the effect on measured inflation did not appear until

Obviously there would be difficulties in practical monitor-ing. National income statistics are published with a lag and are afterwards revised. But they could be improved if there were sufficient interest; and they can be estimated for recent and current periods where there are still no published figures.

Some defeatists nevertheless suppose that governments and central banks have no alternative but to follow financialmarket expectations. For instance, forward contracts suggest that the UK base rates will be 7 per cent early next year and will then rise towards 9 per cent

entral banks are not, however, compelled to do what the bond markets appear to be telling them to do. Since the beginning of 1994 world long-term bond yields have risen by 2-3 percentage points. About 1 percentage point represents a rise in real interest rates, perhaps reflecting a world capital shortage - which was prematurely diagnosed two or three years ago.

The remainder of the rise in bond yields represents the increased inflation premium. Market opinion here deserves to be taken seriously, but not followed as if it were the word of God. The bond markets may be fighting the last war when they see inflation round every corner. Bondholders and dealers can still be as wrong as economic forecasters or finance ministers. Central bankers can and should be prepared to buck the market so long as they realise that, if they are wrong and the mar-kets are vindicated, there will be a high price to pay in lost public standing. This time round central bankers will not be able to make scapegoats of governments or finance minis-

In the end, either bond rates will come down or short-term interest rates will rise to meet them. If the Bundesbank or Bank of England is convinced that bond markets are wrong and inflation will not on average be much above 2% per cent a year, then they should act on their beliefs - which means doing as little as possible. If they are not so convinced, they should tighten policy until

#### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

#### Poll is not a blow to Labour

From Mr Paul Richards. Sir, The recent News-night/NOP poll was reported by you with the headline "Blow for Labour in economy

poll" (September 27). Polling is not a precise science. Like gazing at tea leaves, much is left to interpretation. The NOP poli reveals, for example, that 57 per cent of the sample believe that personal taxes would either stay the same or go down under a Labour government.

The poll shows that 63 per cent believe that the economy will be either stronger, or about the same.

There is no room for complacency in the Labour camp, of course, but this evidence was collated after the long summer parliamentary recess, before Labour's conference, and only a few weeks after Tony Blair's election as leader.

It is slightly unfair to report "a blow" to Labour's economic credibility when there has been no public platform as yet for Mr Blair's new approach. As Labour's team begins to tackle the key issues of taxes

and spending, the NOP poll shows that Labour is starting from a credible base. After all, even in 1992 Labour gained support from some unlikely quarters.

Paul Richards, 109 Hommersmith Bridge Road, London W6 9DA

## Logic in targeting logistics

From Mr Roger J Ireland.
Sir, We couldn't agree more with Charles Batchelor's assessment (Survey of Logistics. September 21) that corporations must apply the same cost-control efforts to their logistics operations as they do to their other business functions, if they wish to remain competitive in the 1990s. Just one glitch in the distribution,

inventory or customer delivery networks can mean the loss of

millions of dollar in profits and, perhaps just as important, of customer confidence. | the last four years, with expectal solution of about \$50m a US of customer confidence.

increased in recent years relative to other costs, we've undertaken what we call a "Pathfinder" project to find more direct pathways to customers and simplify logis-We've set a target of reduc-

ing costs by up to \$80m by 1996. We will do this by applying to our logistics operations the same work process analyses that helped us overhaul our maintenance operations during

associated with getting our year. Early results from the products to customers have Pathfinder have been equally encouraging. By the end of the summer we had identified 26 projects to improve our operations, and have already realised annualised savings of nearly \$5m.

Through this effort we expect to improve loading, scheduling and inventory control and provide better customer service. Roger J Ireland,

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project director, Union Carbide Corporation,

#### Government creating a PO problem

From Mr Alan Johnson Sir, Your report that minis-ters are "determined" to go ahead with a 51 per cent share sale of Royal Mail and Parcelforce - thus breaking the link with Post Office Counters must concern those who fear for the future of the nationwide network of post offices ("Ministers determined to sell

Nearly all informed opinion, including large mail users, has been that this preferred goverrment option does not adequately respond to the needs of post office customers, who must have continued access to some 19,000 outlets nationwide. Central to this is a concern that separating the Post Office

Post Office stake", September

alternative outlets for its products. This will slowly drain Post Office Counters' income, which will in turn force the business to look closely at its 10,000 subsidised sub-post offices. We recently revealed Post Office projections of 1,050 sub-post office closures by 1999.

The government has sought to generate enthusiasm for these plans by guaranteeing the automation of benefit pay-ments in sub-post offices. Auto-mation is welcomed and in urban areas will cut down on fraud and improve efficiency. What automation cannot do in rural areas is increase the number of customers who go into the local sub-office - there the number of transactions is will allow Royal Mail to seek | certain to decline as Royal

Mail plc moves further away from the separated counters business which it currently

supports. The green paper deliberately avoids foresight and imagination. It concentrates on the issue of ownership when it should have proposed a unified Post Office with genuine commercial freedoms to meet the changing needs of customers.

We, like most other interested organisations, have argued that ownership of the Post Office was never a problem - the government now intends to make it one. Alan Johnson,

general secretary, Union of Communication Workers, UCW House. Crescent Lane, London SW4

#### The precise point of Irish interest

From Dr A J McEvoy.

Sir, Joe Rogaly, commenting on the future constitutional arrangement of the "island nation(s)". ("Breakaway Britain", September 23) should start from some minimal precision concerning the present arrangement. Constitutionally, of course, "Britain" does not

in its beginnings, to consolidate the kingdom as it emerged from the Wars of the Roses, England absorbed Wales; there remains a distinction on the rugby field and linguistically, but a uniform legal system is

Later, to secure the Williamite coup and eliminate Jacobite pretensions. Scotland was asso- antiquity, the consensus and

ciated with England to form "Great Britain", though some distinctively Scots legal, ecclestastical and educational structures survive.

porating Ireland finds its orlgin in the Act of Union, 1801, passed as a security measure during the French Revolutionary and Napoleonic wars. With partition of Ireland and of Ulster, since part of that province is in the Republic of Ireland, Northern Ireland succeeded to the role previously assigned to the whole island. Evidently that union, between Great Britain and Northern Ireland, which defines the present United Kingdom lacks the

The "United Kingdom" incor-

the stability found within Great Britain. And even there, the status of each nation is different.

It is interesting to compare the treatment of Scotland at the present day with that administered to Ireland during the Repeal and Home Rule periods of the 19th century, and speculate on its eventual consequences. Therefore, aside from the lack of selfish economic and strategic interests in Northern Ireland (Downing Street Declaration), there can be no doubt of London's constitutional and political interest. A J McEvoy, Centre Universitaire, CH-1015 Lausanne,

Switzerland

#### From Professor D R Myddellan.

Don't defer

Sir, Lex ("Deferred tax", September 28) suggests replacing "partial provision" for deferred tax by "full provision", with or without discounting. But If the American standard is any guide, this could be very complicated.

Deferred tax means income smoothing, which is often frowned on; and it falls to meet the Accounting Standards Board's definition of a liability. A better and simpler approach towards accounting for deferred tax is ... don't. D R Myddelton,

professor of finance and Cranfield School of Management, Cranfield, Bedford MK43 OAL

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#### **FINANCIAL TIMES**

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Thursday September 29 1994

# Paying for equality

principles than they are at actuarial science. The attempt to combine the two can lead to a muddle, as it did yesterday when the Euro-pean Court of Justice pronounced on a number of issues arising in the wake of the Barber case, which involved sex equality in pensions, on which the judgment was handed down in 1990.

Headline reactions are likely to focus on the issue of retrospection. under which part-time employees are entitled to reinstatement in company schemes as far back as 1976. This could cost UK companies up to £10bn on worst case estimates. On closer inspection, however, these costs turn out to be highly hypothetical, though still enough to worry certain financial companies, like banks and insurance companies, which run non-contributory schemes.

The more important consequence of the process of pension fund equalisation is that women are, perversely, rather likely to end up worse off. For instance, the Coloroll pension scheme trustees can now go ahead with paying out equalised benefits, which means that at least in respect of service after May 1990 women will receive slightly less of the available funds. Many other terminated schemes of insolvent companies are in the same position.

Core workers

In many cases pension schemes have never been designed by employers to be "fair", but to create discriminatory incentives intended to be in the interests of the company - for instance, to direct extra benefits towards core long-term workers rather than to temporary staff or part-timers. Where such discrimination is based upon sex - but not on other factors - it is now outlawed. But although discrimination against mostly female part-timers may have been a practical consequence of their exclusion, it will never have been explicitly recognised by the employer and may never even

have been intended. Although part-timers excluded from pension schemes are now able to claim retrospective inclusion, the employer will still be able to claim that no sex discrimination was involved and this will have to be tested in the national

they will find it easy to make their

cases stand up. So the apparent victory of the part-timers may yet prove pyrrhic, but even so, the principle that employers should be subject to retrospective judgments going back 18 years is obviously unacceptable. So long as employers behaved reasonably in terms of general opinion and practice at the time, they should not be vulnerable to unpredictable bolts from the legalistic blue. If the European Court continues to behave like this, it will be seen to have increased the risks of doing business in the EU, with little jus-

Retrospective demands

Paradoxically, the original Bar-ber judgment was implemented without retrospection (only, however, after the separate Ten Oever case in 1993). But part-time workers can now claim 18 years' worth of reinstatement. The difference in treatment depends upon a distinction the European court has drawn between benefits paid by a scheme and the right to join a scheme in the first place. The lat ter happened to have been covered by another judgment in 1986 which in turn related back to the 1976 judgment on the enforceability of Article 119 of the Treaty of Rome. None of this Euro-legalism

will make much sense to the average British or German company now faced with costly retrospec tive demands from part-timers. Similarly, the rigid application of legal principles has led the

court to rule out any provision of transitional relief for women who find that the Barber judgment has disadvantaged them. The reason is that the transitional provisions would themselves involve sex discrimination. But this is not the way in which employer/employee relations can be harmoniously conducted. Nevertheless, the series of rul-

ings published yesterday does at least clarify many previously outstanding issues. That legal constraints should be placed upon pension schemes in order to pro-tect the interests of otherwise vulnerable employees is sound enough in principle. But the European court must find more flexible ways of handling such detailed and complex commercial problems

# An end to the rail strike

Strikes are a no-win proposition in any industry. Once begun, however, the rule for ending them is that everyone must emerge a winner. Yesterday's welcome end to the rail signalworkers' dispute was no exception, with the three main players all claiming victory. In truth, the battle has cost both union and management dear. And the government for its part has no cause for self-congratulation.

For the chairman of Railtrack, the state-owned company that runs British Rail's track and signalling operations, the deal agreed with the signalworkers' union in the early hours of yesterday morning was a "victory for commonsense". For Mr Jimmy Knapp. union leader for the striking signalworkers, it was his members persistence that had won the day.

The package, like the dispute itself, is complicated enough for each claim to have some merit. In the long term, Railtrack has won most, perhaps, in achieving the much-needed reform of signalworkers' pay and conditions. The workers are receiving less in return than the RMT first nanded, but can claim to have delivered, by striking, an 8 per cent rise in average earnings, if only for the current year.

Whatever the immediate tally of gains and losses, the entire indus-try will suffer the effects of the dispute for years to come. Customers have had four months to discover alternatives to rail transport; demand may never fully

Less appetising

That, and the £200m losses suffered by the rail operating companies, will make rail franchises a considerably less appetising prospect for private investors than pre-

Clearly, things could have been worse. Had the dispute continued into next week, striking signalworkers stood to lose valuable pension rights from October 1 onwards. As far as Railtrack is concerned, restructuring of working practice has always been an essential first step in building a modern and profitable national rail network. Disputes about implementation had already been simmering for seven years: allowing them to boil over later, when in a needlessly privatisation was already in full unpopular strike.

swing, would doubtless have been

even more damaging. Yet things could also have gone far better, had it not been for the government's ill-judged interventions. In fact, the dispute could have ended in early June, when both sides agreed a package, which Railtrack was subsequently forced to retract. A private company would

always have chosen an early end to the dispute, offering larger pay increases and recouping the extra cost with further efficiency gains once employees were back at work. British Rail had not been able to do this. Allowing BR's successor to strike such a deal at the beginning of the summer would have vividly made the govern-ment's own case for rail privatisa-

Problem-laden

But rather than using it as a test of its rail privatisation plans, the government instead chose to view the affair as a test of its problem-laden approach to constraining public sector pay.

The government claims that the agreed package for the signalworkers conforms to the two central requirements which that policy imposes. The 3.7 per cent addition to Railtrack's paybill pays for itself in efficiency gains, while the basic 2.5 per cent pay increase is well within standards set earlier in the year by pay rises in the rest of British Rail and elsewhere in the public sector.

Deals which appeared to deliver much larger "headline" pay increases to individual workers could not be accepted by the government for fear of the lessons which other public sector workers might draw. But this merely shows how difficult it is for the government to combine its desire to broaden the scope for a more flexible approach to individual public sector pay agreements with the blunt instrument of its threeyear freeze on public sector pay

bills overall. Holding down public sector labour costs is central to the chancellor's medium-term fiscal strategy. The post mortems on this sorry dispute will drag on. But the chancellor has not been helped by being involved, even if indirectly, in a needlessly drawn-out and

or the second time in six months, Crédit Lyonnais, the embattled French banking group, has been forced to call in its owner, the French state, for help. This week, it set aside further heavy provisions against bad debts, reporting a first half net loss of FFr4.5bn (£540m), proportionately worse than the 1993 annual loss of FFr6.9bn.

Mr Jean Peyrelevade, Crédit Lyonnais chairman, conceded that the millstone of the late 1980s and early 1990s - when the bank had made an uncontrolled plunge into bad property lending, speculative film finance, and high-risk and lowvielding investments in other state companies - was too heavy for the bank to support alone.

Unless buoyed up again by the state, the ship of Crédit Lyonnais would almost certainly sink below the plimsoll line of the internation ally agreed solvency ratio of 8 per cent, and would almost equally certainly have great difficulty in rising into profit in the near future.

The new rescue, like the one in March, is likely to be in the form of a further capital injection and extra loan guarantees by the state. Even with this summer's FFr4.9bn capital increase by the government and other state-owned shareholders, the first-half loss has depressed the bank's solvency ratio of shareholder funds to loan commitments to 8.1 per cent, dangerously near the minimum. The state has now agreed that it would recapitalise the bank if the latter incurred any further loss in the second half of this year, Mr Peyrelevade said.

The chairman said the government had also agreed that, if this year's overall loss threatened to exceed last year's FFr6.9bn level, the state would step in to take further bad loans and risks off the bank's balance sheet. In March some FFr40bn in doubtful property loans were put in a special statebacked company, whose potential losses are underwritten by the state to the tune of FFr14bn.

So the French government is already lumbered with a rescue package whose potential cost nearly equals that of the FFr25bn by which it is hoping to cut 1995 budget defi-cit for the entire country. In addition, some analysts are

still sceptical that Mr Peyrelevade has announced anything like the provisions he will have to make to cover the legacy of the past.

We feel that the process of going through the books by the management is not yet rigorous enough, and the full provisions are not yet reflected in these results," Ms Susan Sternglass of Goldman Sachs said yesterday. With last week's reports suggesting the bank may need to make further provisions of up to FFr25bn, the government may yet be called on to make up much of the additional shortfall.

Cynics would say that Mr Peyrele-vade has played a game of highstakes poker with his shareholder, and won handsomely.

Certainly, it looked like poker. Three days before Crédit Lyonnais was initially scheduled to report its first-half results. Mr Peyrelevade went to see the French Treasury which was expecting a pro forma meeting with the bank chairman. But he apparently surprised and dismayed the Treasury officials by telling them he could not finalise the bank's accounts, because the need to make vastly higher provisions had just emerged. The new auditors would only certify the accounts if the state promised new help, he added.

After a week of bargaining, the government gave in, and promised the help. Cynics, again, would say that Mr Peyrelevade was exploiting the fact that the French govern-ment could not possibly let the country's biggest bank go under, with a balance sheet of nearly FFr2.000bn, equivalent to a quarter of its gross domestic product.

Precisely the same concerns of systemic risk weigh, too, with those in the European Commission charged with the general task of vetting state aid. They are aware that a crash by Europe's biggest hanking network would reverberate

# More skeletons in the closet

As the extent of its troubles are revealed. David Buchan and Andrew Jack examine the malaise at Crédit Lyonnais

Credit Lyonnais: high risk



FNAC (books and record chain) UAF fitte insurance) 1.16bn TH (talevision station) Pinault-Printemos tratalling 190m appro Méridien hotels 6.8bn International bankir 2.7 0.1 -1.0 Banking subsidiaries 21 7.0 First half

throughout the EU.

A few French private banks moaned about state aid last March to Crédit Lyonnais, but they have kept quiet since, aware of how the group's problems have helped drag down their share prices. In contrast to the airline sector, where there is always British Airways to cry foul at aid to Air France, Crédit Lyonnais's banking competitors have

But Mr Peyrelevade has his price to pay, too, in personal pride and group assets. This week he conceded "a double error" of judgment

Cynics would say that Pevrelevade has played a game of high-stakes poker with his shareholder,

and won handsomely

when he took over the banking group last November after the disastrous mismanagement of his predecessor, Mr Jean-Yves Haberer. He said he had been wrong in thinking that "the latent risks [arising from the Haberer-era activities] could be absorbed by Crédit Lyonnais's current [banking] profits. But these profits in 1994 look like being FFr2bn less than we estimated". The other error was to think that provisions against these risks could be "staggered", a hope that Mr Peyrelevade said the bank's new auditors had disabused him of.

Mr Peyrelevade also talked this

week for the first time of selling off parts, admittedly peripheral parts, of his group's core banking empire in addition to the sales of its industrial holdings already in train. In

the first seven months of this year. Crédit Lyonnais has shed FFr6.8bn in non-bank assets. Mr Peyrelevade's target of selling FFr20bn of Crédit Lyonnais's FFr50bn industrial holdings now looks like a minimum. The smooth withdrawal of such a big investor from the French market will not be easy with France still lacking capitalised pension funds to take up the slack.

But the Crédit Lyonnais affair highlights other structural failings in French banking groups, and in their regulation by the state. Defending himself against the accusation that, for tactical reasons, he deliberately kept the government in the dark until the last moment about the bank's persistent prob-Mr Peyrelevade Said: "We to them [the government] everything

we knew, when we knew it." He had taken the long-overdue step at the start of this year of insti-tuting a centralised risk-control committee for the Crédit Lyonnais group to ensure better future con-trol. But he is still finding it difficult to keep track of all the past skeletons falling out of the cup-

boards. There are some specific reasons for this. One is Altus, a high-risk investment house which is part of the group. Mr Jean-François Henin. who ran Altus from 1990-93, prided himself on the fact that he had multiplied its balance sheet many times over without increasing its staff. The result was a chaotic back office, out of which dubious dossiers are still tumbling. Crédit Lyonnais said this week it was busily engaged in getting out of as many of Altus's contracts as possible.

Another factor is its Société de Banque Occidentale subsidiary's continuing problems with recoup-ing loans made to Mr Bernard Tapie, the deeply indebted businessman-politician.

But perhaps the biggest reason for the accelerating clean-out of Crédit Lyonnais is the way in which the bank's branch managers and its new auditors were responding to what Mr Peyrelevade termed "the new climate". They were bringing to the surface all the bad loans and dud investments of the past.

Certainly, the push for more rigorous control appears to be coming from them rather than from external regulators, like the Bank of France and its Banking Commission

The push for more rigorous control appears to be coming from below rather than from external regulators

which were criticised by this sum-mer's parliamentary inquiry for being slow in diagnosing and acting on Crédit Lyonnais's problems. Mr Jean-Claude Trichet, the Bank

of France governor, told MPs in May that he had not wanted to present the problem publicly before announcing a solution. He said that the authorities had felt it important "not to announce the fire before revealing the fire extinguisher' Mr Trichet said he smelt smoke in September 1992 when he was director of the Treasury. But it was almost a year later before the Bank of France, as the organisation for-mally responsible for banking supervision, wrote to the government demanding it rescue its bank. As for the Banking Commission.

it said it had started getting suspi-

cious in 1991 after seeing Crédit Lyonnais's balance sheet increase by 30 per cent over the previous two years, with a 200 per cent rise in industrial holdings. However, the Credit Lyonnais

affair raises doubt about the capacity of the commission's 350 staff to keep track of hydra-headed institutions like Crédit Lyonnais with 550

subsidiaries.
The commission put 10 people on to Crédit Lyonnais, starting with its subsidiaries. But they seem to have hit an information problem with CLBN, the bank's Rotterdam subsidiary which, among other ventures, bankrolled the ambitions of some dubious Italian financiers to buy MGM in Hollywood. Such is the legacy of these ventures that they still accounted for a tenth of the new FFr10.1bn provisions announced this week Credit Lyonnais has now retained the expensive services of Mr Henry Kissinger to help it find a buyer for MGM.

Neither French nor Dutch regulators will elaborate on their exchanges about CLBN, except that the Dutch central bank sought in 1989, and eventually got, extra guarantees from Crédit Lyonnais in Paris on CLBN loans, while the French banking commission did try to get some information from its Dutch counterparts.

r Jean-Louis Butsch, head of the Banking Commission, implied to the parliamentary inquiry that this was not very satisfactory. It was, he noted, only at the start of 1993, when the European Union's Second Banking Directive came into force, that "professional secrecy vis à vis our EU counternarts was lifted"

Another effect of that directive has been to transfer prudential supervision of a bank's branches to its country of origin. But that would not have helped at CLBN which, as a separately incorporated subsid-

iary, stays under Dutch control. Mr Butsch's team has moved from one troubled subsidiary to another since November 1991, finally advancing on Credit Lyonnais' headquarters on the Boulevard des Italiens a year later for a six-month investiga-tion. Even then, however, the 1992-93 deterioration in the economy required them to make return visits to subsidiaries.

In general terms, the Banking Commission still sees no need to change its regulatory procedures. But commercial banking sources said yesterday it might have to respond to the example set by Crédit Lyonnais's new auditors, by publishing tougher and clearer general guidelines on provisions for other French banks and their auditors to follow.

Out of Crédit Lyonnais's problems may yet come another useful precedent for other banks to follow. With first-half operating results down by 25 per cent from the same period of 1993, the group appears to have a significant problem in raising profitability on its core banking business. It shares with other French banks working conditions dating from the 1930s. These treat bank employees like civil servants, more or less guaranteeing them pro-gressive promotion and firmly setting their working hours. The managements of the main banks tried to change this in 1989, but their common front against the banking unions crumbled when Mr Haberer's Crédit Lyonnais broke ranks. "Peyrelevade now has the chance

to use the shock of Crédit Lyonnais's problems to change our over-staffing and old-fashioned working rules, and to provide better services," said a commercial banker yesterday. In Mr Peyrelevade's quest to reduce operating expenses, most of the headlines have gone to the 1,000 job cuts he is making this year in the group's French network. But he has also negotiated a

small experiment with his unions to let Crédit Lyonnais branches in Toulouse stay open in the evenings and on Saturday morning. With so much else about Crédit Lyonnais that is execrable, this is one area where it may prove exemplary.

#### OBSERVER

#### Say Hello to Jack's halo

■ Jack Welch, boss of General Electric and patron saint of American management, is under the media microscope. Time, Newsweek and Forbes all ran lengthy pieces on him this week and Fortune did a job on him a few weeks back. All dealt with the same basic theme: whether the alleged fraudulent trading at GE's broking subsidiary Kidder Peabody, which has cost GE hundreds of millions of dollars, is evidence that Welch's

This week's stories are mostly anodyne, and have an air of damage limitation. The earlier Fortune cover story was hard-hitting, it blamed the Kidder case squarely on GE's corporate culture and linked it with earlier examples of corporate wrongdoing. Welch's hard-driving style, the piece implied, might be forcing GE executives to cut

Time, by contrast, interviewed Welch and concluded that he was still basically OK. Forbes did the same and concluded he was absolutely fabulous. Round one to Fortune, round two to GE's media relations people.

roots in the days of cartels and

In fact, Fortune's case looks to be based on a false premise: that without Welch, GE would be white as snow. Like many another old-established company, GE has its

monopolies. A recent book on Welch, Control Your Destiny or Someone Else Will, remarks that when GE lost its first anti-trust lawsuit in 1948 it only got its wrist slapped "Subsequently," the book says, "some GE middle managers imagined themselves immune to punishment, expecting their bosses to wink at wrongdoing that helped a business grow. Partly as a result, the company was caught many times in illegal actions." Over the years, Welch has done a

great deal to change the GE culture. The job of GE people, he once told shareholders, is "to set and meet aggressive targets - always with unyielding integrity". One more push, perhaps.

Profit honoured ■ Is Luis Angel Rojo tempting fate?

The governor of the Bank of Spain has for the first time put his signature on an issue of Pta1.000 notes. And there, gracing the new green-tinted bills, are the portraits of Hernán Córtes and Francisco Pizarro. The conoulstadors of Mexico and Peru respectively were ultimately responsible for flooding the country with gold and silver, thus sapping Spain's 16th century industry and prostrating its economy with soaring price rises. Latin American central bank governors, gathered in Madrid for the IMF's jamboree, were Rojo's guests at a conference yesterday. As such, they were undoubtedly too

-200°

I picked up Tony Blair's ological baggage cheap at a car boot sale'

polite to enquire why those who had plundered their domestic treasures should be so honoured.

Moor or less

■ After David O'Brien's abrupt departure from National & Provincial Building Society, Leeds Permanent may well be congratulating itself on its lucky escape. The Leeds' doubts about O'Brien's management style which now seem to be shared by the N&P - was one of the rocks on which the planned merger between the two foundered last year.

However, the Leeds mob ought to be careful about crowing at the misfortune of their Bradford rivals. N&P has lost and found a chief executive almost instantaneously, whereas the Leeds is still looking for a permanent successor to Mike Blackburn who escaped across the

Communewealth ■ Life will never be quite the same again in Brick Factory Village or October Banner Soviet Farm

Central Village, both in the Moscow region. For their pastorally-challenged names along with a couple of hundred others - are about to disappear, replaced with something a little more in tune with the times. Like Little Bankrupthampton, perhaps, or Crisisbottom-in-the-doldrums...

Daily dose

■ The state-owned BBC continues to do its bit for the development of commercial radio. A recent triumph has been the moving of the Financial World Tonight from Radio 4 to Radio Five Live at a later 11.45pm time slot. The programme, which used to be required bed-time listening for City types, had already lost fans when its slot was moved from 11.15pm to 9.45pm.

Since its latest move, the programme's weekly audience in the important London market has dropped from 120,000 to around 26,000. All of which has opened up an opportunity for London News, the successor to LBC. It has poached BBC presenter Richard Shackleton to launch a nightly The **Business World Tonight. Tune in** 

#### Incensed ■ Is England's oldest Roman

Catholic school, St Edmund's College, about to exchange its motto - Avita pro Fide, For the Ancient Faith - for a new catchphrase, "Fill 'er Up"? The Hertfordshire school, which has been providing a catholic education since 1568, is seeking

planning permission for a petrol station and roadside café next to a proposed by-pass for the busy A10 London to Cambridge road.

Still, the diversification would fit

in neatly with St Ed's advice to departing pupils: they should "have regard to the welfare of others and be of service in the community".

#### Red light district

■ The banker could not believe his eyes when an applicant for a personal loan reported that the value of his main residence was "at least £25m". However, the loan was refused on the grounds of the customer's address - HMS Endeavour.



Senate committee threat to WTO launch

# Clinton challenges US Congress over trade

president Bill Clinton vesterday threatened to force Congress to pave the way for the new World Trade Organisation, the creation of which was put in jeopardy after US legislative approval ran into serious difficul-

ties. The organisation, a cornerstone of the deal reached last December at the end of the 7-year Uruguay Round of multilateral trade negotiations, was to have come into existence in January

Enactment of the deal is already delayed in the European Union and Japan. Yesterday, its ratification was threatened by the decision of the chairman of a powerful US Senate committee to hold it up till the end of the present Congressional session this

The US administration, weakened by partisan attacks on the president, has made trade a centrepiece of its foreign policy. A defeat of the Uruguay Round of

By Ted Bardacke in Mexico City

The secretary-general of Mexico's

ruling party, Mr Jose Francisco Ruiz Massieu, was shot dead in the centre of Mexico City yester-

day, shattering the fragile politi-cal peace following last month's

The attack came just over six

months after the party's presi-

dential candidate, Luis Donaldo

Colosio, was shot dead in

Mr Ruiz, the number two figure

in the Institutional Revolution-ary party (PRI) and former gover-

said to have been in the running

presidential elections.

Tiiuana.

the General Agreement on Tariffs and Trade deal could be more serious over the long run than the loss of President Clinton's

healthcare legislation. Senator Ernest Hollings, chairman of the Senate Commerce Committee, which has partial iurisdiction over the legislation, said there is "no chance at all" that the Senate will vote on the bill before it adjourns on October

7 for congressional elections.

Delay has long worried other governments and US exporters, who are the most politically significant supporters of the trade agreement. In the current environment of national cynicism, opponents have fanned the flames of protectionism and isola-

Gatt legislation next year could face a more Republican but also more protectionist Congress. Furthermore, lawyers say it may be difficult to re-introduce the legislation under the special fast-track rules, which prohibit amend-

Killing of politician shatters

Mexico's post-election peace

Mr Ruiz, 48, was shot in the

neck as he drove away from a

breakfast meeting with PRI depu-

ties. The assailant, who witnesses

said was armed with a 9mm semi-automatic weapon, is being held

by federal agents. His identity

Mexican financial markets fell

sharply on the news. After three

hours of trading, the stock

exchange was down 2.4 per cent.

country that more political vio-lence might follow Mr Colosio's

murder, the first assassination of

a senior government figure in

Zedillo, won the August 21 elec-

tion, despite continuing public

His replacement, Mr Ernesto

Mexico since the 1920s.

to become interior minister, in frustration that the motives tion.

There had been concern in the

was not immediately disclosed.

tionist and a long-time defender of US textile producers, to urge his co-operation, but apparently

The senator said yesterday that he is planning "a series of hear-ings" which will keep the bill stifled in his committee. Under Senate rules, he can hold the bill up

to no avail.

After a long delay to prepare the implementing legislation, the Clinton administration sent the package to Congress on Tuesday. Two House committees immediately cleared the legislation for the House floor.

The senator has been warning for months that he planned to take the full 45 days. This would not have been a problem if the legislation had been submitted on schedule in the summer. But a dispute over the budgetary implications brought delay, as did opposition to an administration request for a new fast-track nego-

tiating authority. ment. Mr Hollings will be pressed by Mr Clinton has met Senator colleagues to drop his opposition.

Mr Ruiz, a graduate of Essex

University in the UK, had been

named as a negotiator for Mr

Zedillo in talks over political

reform expected to begin next

explained to new PRI deputies

the framework of both national

political reform and internal

reform of the ruling party, an

outline of which had been

announced the previous after-

The PRI has ruled Mexico

under one name or another for 65.

years. Presidents since the 1960s

have, like Mr Zedillo, pledged

reform of the party but they

have usually backed down in

the face of strong internal opposi-

At the breakfast Mr Ruiz

## Ruling party aims to tighten grip on China

President Jiang Zemin at the "core" of the leadership and as successor to Deng Xiaoping, Chi-na's 90-year-old senior leader.

ing concern about a weakening of central control and a crumbling of communist authority, especially in rural areas where

The country's rulers stressed the need to strengthen "grassroots organisations". This indi-cated recognition of the party's poor standing among rural dwellers who account for about 80 per cent of the population of 1.2bn. Party membership nationwide stands at about 40m.

The expected demise of Mr Deng has fuelled worries about the assert its authority. The Central Committee docu-

the transition from a centrally planned system to a market sys-

authority, revealed deep-seated concerns about emergent regionalism with the growth of powerful provincial interests and a corresponding loss of authority

line, principles and policies". The Central Committee called for a renewed campaign against

the world's largest political organisation, has approved a plan aimed at bolstering its hold on power at a sensitive period in the transition to a new genera-

The resolution reflected grow-

first meeting of the more than 300 Central Committee members since last year, coincides with growing worrles about rising prices and social unrest.

isations are the foundations of the party's operations and its combat effectiveness," the document said.

the 14th Central Committee concluded just three days before China celebrates, on October 1, the 45th anniversary of the revo-lution. It coincided with persis-tent reports of Mr Deng's failing

This was an acknowledgment

tem.

China's leaders, in their call for a reinvigoration of central in Beiling.

found social changes, and this requires our party to do better in upholding and improving demo-cratic centralism," the statement said. It was "necessary to safeguard central authority, and forcefully implement the party's

corruption.

#### nor of the state of Guerrero, was last week named as head of the PRI's majority delegation in the Chamber of Deputies, the lower house of congress. He was also

#### Ferry sinks Continued from Page 1

vessel foundered. "On the TV monitor in the machine room, we could see water rushing in on the car deck," he told reporters.

Two Swedish maritime inspectors in Tallinn on Tuesday said the rubber seals around the bow doors were partly damaged, but not to a dangerous degree. They were not formally inspecting the vessel, but said last night that if they had thought the equipment was dangerous condition, they would have raised the alarm. The stricken vessel sailed

## IMF lifts growth forecasts

charge of internal security and behind Mr Colosio's death have

month.

yet to be explained.

This compares with forecast unemployment of 6.3 per cent in the US and forecast jobless rates in Japan of 2.9 per cent this year

errors of the 1980s and act

Caracas Cardiff Casablas Chicago Cologne Dakes Delhi Dubai Dubai Dubay

FT WEATHER GUIDE

April. However, the IMF's economic outlook document projects only a small decline in the European Union's unemployment rate to an average of 11.5 per cent next year from 11.8 per cent this

# Continued from Page 1

and 3 per cent in 1995.

With recovery seemingly well established, the IMF is urging governments to learn from the

promptly to curb inflationary pressures. In particular, it is recommending that countries raise interest rates in advance of actual increases in inflation to ensure a lasting recovery.

Mr Mussa yesterday also praised this month's increase in UK bank base rates to 5.75 per cent from 5.25 per cent as a "highly desirable initial step to contain future growth of infla-

tionary pressure' He said Mr Kenneth Clarke, the chancellor of the exchequer, was right to give priority to control-ling public expenditure before considering tax cuts.

# By Tony Walker in Berning

China's ruling Communist party. tion of leaders.

The Central Committee document emphasised the role of

unrest has become common. China's leadership session, the

"The party's grass roots organ

The four-day plenary session of

China's leadership has been in transition for the past two years. ability of a new generation to

ment referred to "all the hazards" the party was encountering in the new phase.

"Our country is currently undergoing extensive and pro-

#### The US Food and Drug Administration's warning letter to Wellcome about manufacturing triggered painful memories of the crisis that engulfed Fisons. However, Well-come's FDA-related difficulties appear far less perilous. And, unlike Fisons, it could supply products from elsewhere if forced to halt US production. There are doubts about Wellcome, but complying with manufacturing standards s among the least of them The most important question hang-ing over the company is whether it

has a viable independent future. Such doubts have been behind the bid speculation that has driven up its share price by 32 per cent since April. Well-come is only the 24th largest drugs group in what is clearly an over-frag-mented industry. Within three years it will have to face the US patent expiry of Zovirax, its biggest selling medicine. And its ability to launch new products to compensate for Zovirax is in doubt three drugs have dropped

out of the pipeline in recent months. Such arguments are not compelling. Wellcome controls a commanding position in the fast-growing anti-viral segment. Because of its near monopoly, the group is almost wholly protected from the recent changes in the US market. The company also has an impressive strategy for generating non-prescription revenues from Zovirax after patent expiry. Finally, there are enough promising products in the pipeline to carry the group forward after 1997. Competitors may well look on with envy. Investors, disillusioned by the 18 per cent fall in the share price since the 1992 share issue, should show more patience.

#### US bonds

It is difficult to see why the US bond market should have been in a positive mood yesterday. The Federal Reserve's decision not to raise interest rates on Tuesday night cannot be more than a temporary reprieve. Yesterday's durable goods data may have been distorted by the auto and aircraft sectors, but they still show underlying strength in manufacturing. On the most pessimistic reading, the Fed is now dithering while the economy strides ahead. There cannot be much comfort for the bond markets in that.

One explanation for yesterday's gains is that the market now believes in a trade deal between Japan and the US which will remove the threat of sanctions and allow the yen to fall. A weaker yen would be good news for

#### THE LEX COLUMN

# Wellcome wobbles

FT-SE Index: 3087.7 (+30.2)

Share price relative to the FT-SE-A All-Share index

Mar 1992

bond markets everywhere because it would encourage Japanese institutions to step up their investment abroad. But for the time being, this scenario smacks of wishful thinking. There would be a much greater chance of a weaker yen and a robust Japanese recovery if the Bank of Japan were to

cut interest rates aggressively. The chances are therefore that the bond markets will soon revert to their old anxieties about the Fed's inten-tions. The question is now one of timing. A welter of data in the second week of October will shed fresh light on employment, capacity use and inflation. The Fed will then be under pressure again to show its muscle. As before, a small increase would simply leave the markets worrying about more rises to come. A large increase which signalled the end of the tightening process would be the only real

#### Metallgesellschaft

Metallgesellschaft has developed into the O.J. Simpson saga of the German corporate world, with each new lurid development subject to fascinated media attention. Damaging headlines this week include a clash with a Nobel prize-winning economist over the handling of last year's deriva-tives crisis and a sharp profits downgrading from Deutsche Bank's research arm. The shares revived yesterday but at DM134 they have fallen by more than a third since the beginning of the month.

This performance reflects profound doubts about the pace of MG's recovery. Nine months after his appointment as chief executive, Mr Kajo Neukirchen is still fire-fighting. Recent deals, notably the unscrambling of MG's bizarre ties to Castle Energy Corporation in the US and the sale of the group's mining operations, have capped potential liabilities and raised cash. But, as the group hinted earlier this month, a fresh injection of equity capital is likely to be required before

too long.
That is not the only concern. What is left after the succession of disposals in the past nine months is an unexciting collection of low-margin businesses, in sectors such as metals smelting, trading, plant engineering and specialty chemicals. The modest returns will hardly allow a speedy restoration of the dividend, especially given the need for further rationalisation in smelting. It is small wonder investors are losing patience.

#### Alcatel Alsthom

The news at Alcatel Alsthom goes from bad to worse. Not only were net profits for the first half of 1994 a third lower than in the first half of 1993; the group expects second-half profits to stay at the same depressed level. This means full-year profits will be down 40 per cent or more - much worse than the 10-20 per cent decline forecast by the group in January.

The problems are in telecoms equipment, particularly in Germany. Deut-sche Telekom, which in the past has been an easy source of profits for Alcatel, is driving harder bargains with suppliers as it prepares for privatisation. Capital expenditure is being reined in and margins are being squeezed. The snag is that margin pressure is not confined to Cermany. It is only a matter of time before other large Alcatel customers such as France Télécom and Telecom Italia demand similar price cuts. As competition spreads through the telecoms services market, operators can no longer afford to feather-bed their sup-

The long-term prospects are not all bleak. Alcatel has a good position in broad-band technology, which should prove a growth market as the race to build multimedia superhighways gathers pace. It has also gained a leading position in China, another fast-growing market. But China is a fiercely competitive market with slim margins. Moreover, despite recent cost cutting, Alcatel's organisation remains bloated. The group's shares, which have dropped 37 per cent from their January peak, still look overvalued.

Europe today Low pressure systems over the northern Attantic and northern Europe will cause windy and unsettled conditions from the North Sea area into Russia. Scandinavia will be particularly chilly with rain along the Norwegian coast and wintry showers near the North Cape. Strong winds and showers will persist over Lapland, Finland and north-west Russia, A frontal disturbance will generate rain over Scotland, Denmark, northern Poland and the Baltic states. High pressure near Brittany will promote light winds and cloud alternating with sunny spells over France and the Alpine countries. Thurder showers will

#### Italy to Turkey with just the odd shower in Five-day forecast

High pressure from Iceland to the UK and low pressure over the far north of Europe will direct cold air south from the arctic. Scandinavia will remain quite cold with inland frost during the night. Temperatures will also drop over some North Sea countries. In general, cloud will be mixed with sun and continental Europe will stay mainly dry.

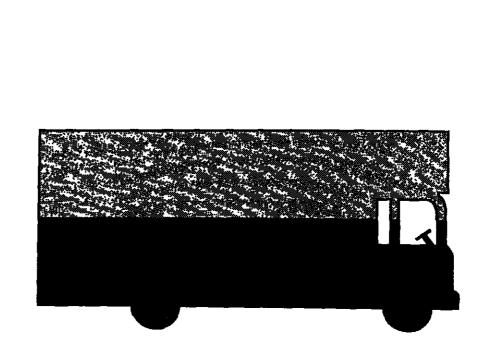
affect much of eastern Spain and southern France, it will continue sunny and warm from

#### TODAY'S TEMPERATURES

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		Ce	وعانوا	Solizat	drza
	Abu Dhebi	SUTI	38	Belgrade	fai
i	Accra	shower	30	Berlin	cloud
ļ	Algiers	cloudy	25	Bermuda	fai
	Amsterdem	drzzi	17	Bogota	doud
	Athens	SUN	29	Bombay	SU
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# **MOVING STORY**

From October 1994, all Société Générale Group businesses in London will be located in our offices in Exchange House in Broadgate.

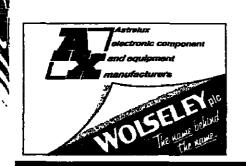
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#### **FINANCIAL TIMES**

# COMPANIES & MARKETS

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#### IN BRIEF

#### **Unichem eyes big** time with cash call

UniChem, the acquisitive pharmaceuticals retailer and wholesaler, yesterday announced a £58.4m (\$92.3m) rights issue to underpin its expansion as one of Britain's largest suppliers of healthcare prod-

N&P's chief executive quits post Mr David O'Brien resigned as chief executive of the UK's National & Provincial Building Society yester-day, after the board said it wanted to replace him with the society's finance director. Page 18

Wellcome shares fall on FDA warning Wellcome, the UK drug company, has been criticised by the Food and Drug Administration, which controls the sale of prescription medicines in the US, for manufacturing shortcomings in its main North American plant. Page 18

Provisions cut and loan losses bolster BCi Net profit at Banca Commerciale Italiana edged up in the first half of 1994 to L151.3bn (\$96.5m), against L149.1bn in the equivalent period, as the bank struggled against difficult trading conditions and narrowing interest margins. Page 20

Lean times spoil free lunch on Wali St Lehman Brothers has announced a review of its "meal-compensation programme" – meaning the securities house has decided it would no longer provide free lunches to its 1,500 sales and trading staff.

NatWest to invest in Indian venture bank National Westminster Bank is to invest about £10m (\$15.8m) in a newly-formed joint venture Indian bank. It is the latest move by an international financial services group to take advantage of India's economic liberalisation programme. Page 21

Japanese warrants are down, but not out Symptoms of an ailing Japanese equity warrant market abound. However, most market participants say the market is suffering only a temporary malaise. Page 21

**US flotation lifts Jefferson Smurfit** Jefferson Smurfit Group, the Dublin-based paper and packaging company, reported a surge in interim pre-tax profits, from IE50.7m to IE251.6m (£248.6m), thanks to the flotation of Jefferson Smurfit Corporation in the US. Page 23

Cattle's to buy consumer credit provider Cattle's is to expand its consumer credit operations with the acquisition of Welcome Group from London and Manchester, the financial services company, for a consideration of up to £27.4m. Page 23

#### Weinberg to head 'vulture' fund

Sir Mark Weinberg, one of the leading figures in the UK life industry, is to chair a new company with £100m capital to acquire life companies, close them to new business and manage their existing funds. The company is to be a joint venture with New York Life Worldwide. Page 24

Beazer sales rise helps lift shares 6% The share price of Beazer Homes rose by more than 6 per cent to 131p after the UK housebuilder

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Аха	17	Kler	2
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Development Sec	24	TI Group	2
Dow Deutschland		Telcor	2
Dyson (J&J)		Thames Water	
Eltin		Thorpe (FW)	2
Erith		Wellcome	9, 2
Filtronic Comtek	25	Williams Holdings	2

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#### Chief price changes yesterday

FRANKFUR?				PARIS (FFY)			
Rises	•			Rices			
Altana	640	+	7.5	Bouyguts	500	+	14
Migsischill	130	+	11.5	Cred Nat	387		125
Schering	964.5	+	17.5	TAMA	887	+	35
Faits -				UFB Locab	390	٠	13
Did Werke	150	-	10.5	falls			
Porsehe	666	-	11	Banc Comp	499	-	16
Sud Charple	520	-	15	Immobanque	730	-	14
NEW YORK	50			TOKYO (Yen)			
Risea				Rises			
Caterpillar	55W	+	714	Ando Cons	625	+	12
Decre	69%	+	16	Asies Coro	418	+	18
Eaton	47~		ſ	Heselo	644	+	79
Gep Stores	33%		2	Mix Belting	615	+	42
Fatis				Falls			
MascoTecto	11%	-	1%	Mercian	676	_	21
CBS	334%		974	Nanasakhe	612	-	31

Nagarakhe	612	-	31
Fails			
Bury Stream	136	_	В
Cattle's (Hast	135	-	7
	78	_	8
	310	_	1
		_	8
		_	17
		_	12
		_	3%
		_	13
		-	B
	•	-	_
	276	-	22
	Falis	Falis Burn Strwert 136 Cutto's (Hels) 135 Clinical Comp 78 Esterprise Comp 31t Macro 4 438 Radiotrust 69 Signet 289 Signet 387 Transfec 45	Falis Burn Strwert 136 - Catio's (Nide) 135 - Cinical Comp 78 - Esterprise Comp 31c - Nearfold 114 - Macro 4 438 - Radiotrust 69 - Supret 28% - Supret 387 - Transfer 45 -

# Chemical takes hard line on loan terms

US bank prepared to lose market dominance rather than relax covenants

Chemical Banking is prepared to lose its dominance of the US syndicated loans market rather than giving in to the pressure for looser terms, according to Mr Walter Shipley, the bank's chairman and chief executive.

Mr Shipley said in an interview with the Financial Times that he had become so worried at the deterioration in loan covenants in the world's biggest syndicated loan market that Chemical might take strong measures.

He said this would include refusing to underwrite and lead manage loan syndications where Chemical believed that covenants the financial ratios to which

By John Ridding in Paris

Losses at its German operations

and difficulties in Brazil and Tur-

key, yesterday prompted Alcatel

Alsthom, the French engineering,

transport and telecoms group to warn of a sharp fall in full-year profits to about FFr4bn (\$757m),

compared with FFr7.06bn in 1993.

said the forecast confirmed his warning that 1994 would be a dif-

ficult year. But the expected

decline is steeper than the 10 to

20 per cent fall in net profits

Announcing first-half profits of

FFr2.02bn, a fall of 33 per cent on the first six months of 1993, Mr

Suard said the second-half would

The downturn in Germany had

proved worse than had been

be similar for three reasons.

which he predicted in January.

Mr Pierre Suard, chairman,

adhere - did not provide enough

Margins on loans have nar-rowed sharply this year as banks have competed to lend. Mr Shipley said Chemical was prepared to tolerate lower returns, but that it was not prepared to com-

He said that although there had been "some worrisome migration south" in margins this year, he was primarily concerned at the "rapid deterioration in terms and conditions" attached to syndicated loans.
"It seems like the banking

industry has a very short memory of the recent past, and we are borrowing companies must prepared to see our market lead-

**Alcatel Alsthom warns** 

of sharp fall in profits

demand and prices at SEL, its German subsidiary, should result

in a fall in sales of about 20 per

cent and losses of about Ecu200m

(\$248m). SEL is responding by

restructuring and implementing

job cuts which will reduce the

20,000 workforce by about 20 per

Operations in Brazil and Tur-

key are each expected to suffer

exceptional losses of about

FFr300m this year. In both coun-

tries, government austerity pro-

grammes had depressed demand,

while rising inflation had cut the

Mr Suard said 1994 was likely

to be the low point of the group's

fortunes and forecast an improve-

ment in results in 1995, citing

several positive factors. The com-

cent by the end of 1995.

value of contracts.

ership position go away rather than chase down that path", he said in an interview in London. Mr Shipley said he was primar-

ily concerned to protect Chemical's reputation as a high-quality underwriter. "It is a question of being firm and disciplined, and if we lose transactions, then that is banking", he said. Although a number of senior

bankers have expressed concern at conditions in both the US and European syndicated loan markets, Chemical's strength is such that it could give a decisive lead to other banks.

Chemical has established a dominant position in US syndi-cated loans since the 1991 merger

cable telephone network in east-

ern Germany. In the US, he said that Alcatel Network Systems

had won significant broadband and switching equipment con-tracts with US telecoms groups

such as Pacific Bell and Bell

The sharp fall in profits comes

at a sensitive time. Mr Suard is

one of a number of French busi-

ness leaders to have been investi-

gated in cases of alleged corrup-

tion, while his group is also

engaged in a fierce contest to win

France's third mobile telecoms

Mr Suard said Alcatel and its principal partners, Stet of Italy

and Société Générale of France,

had the financial resources neces-

sary for the investment in the

Atlantic.

of Chemical Bank and Manufacturers Hanover, and the bank itself describes lending as the "backbone" of its product range.

In the first quarter of this year, Chemical syndicated \$53.3bn of loans around the world, compared with \$40.7bn of syndications by Citicorp and \$38.6bn by J.P. Morgan, according to Inter-national Financing Review.

Mr James Lee, Chemical's senior managing director in charge of syndicated lending, has become a leading figure in the market, with other banks describing Chemical as setting some of the most aggressive

European benchmark with an Ecu6bn five-year facility for the kingdom of Spain at 4.5 basis points (hundredths of a percentage point) over the London Interbank offered rate (Libor).

The re-entry of smaller Japa-nese banks to international syndicated loan markets has brought comparisons with conditions in the late 1980s, when loan margins went down sharply as banks competed for business.

Banking regulators have started to warn of the dangers of

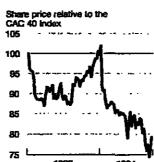
deteriorating loan covenants as banks faced with weak demand for loans have competed for business in order to find a use for growing levels of capital.



Chemical chief Walter Shipley

#### Chemical has just set a new

Alcatel Aisthom



about FFr10bn over the next few years. He said working capital generated by the group was relatively unaffected by the decline in profits and should be about FFr12hn for the year, compared

with FFr13.6bn in 1993. The sensitivity of the contract, which pits Alcatel against Bouy gues, the construction group, and Lyonnaise des Eaux, the utilities company, has delayed the

# Campari deal for BolsWessanen

By Ronald van de Krol in Amsterdam and Andrew Hill

BolsWessanen, the Dutch food and beverages group, is to take a stake of at least 33 per cent in Davide Campari-Milano, the maker of Campari, one of the few remaining independent international drinks brands.

The Dutch company agreed yesterday to transfer its Italian brands and production facilities to Campari for at least one third of the privately-owned company, a stake worth about L500bn L600bn (\$321m-\$386m).

BolsWessanen's Italian brands, include Crodino, a leading non-alcoholic aperitif, as well as sparkling wines, vermouth and mineral waters, generating annual turnover equivalent to Fl 370m (\$210m). Campari, producer of Bitter Campari, Campari Soda and Campari Cordial, had world-

wide sales of Fl 450m in 1993. The alliance between BolsWessanen and Campari is aimed first at the Italian market, but should be a springboard for international co-operation in the near future. "The distribution networks of the both companies are complementary on a worldwide basis," the companies said be more than a few percentage yesterday.

Campari's private owners were initially reluctant to give up shares in the group, which have been held by the Campari family since 1860. The deal is dependent on

approval from Italy's anti-trust authorities. If the transaction goes ahead as planned in late 1994 or January 1995, the two partners will control 20 per cent of the bitters sector of the Italian spirits market.

The exact size of BolsWessanen's Campari stake is still to be determined, but it is unlikely to

points higher than 33 per cent, a company spokesman said. Campari and BolsWessanen

have also given each other the right to first refusal if either decides to sell its shares in the company, and BolsWessanen will be represented on the Italian company's board.

A downturn in results in Italy due to poor spring weather was one of the factors behind a 7.9 per cent decline in BolsWessanen's first-half results. BolsWessanen said profits in Italy will rise from 1996 onwards because of the agreement with Campari.

# Axa to take majority control of Equitable

By Richard Waters in New York

Axa, the French insurance group, is to take majority control of Equitable, the US life insurer, by the end of this year. News of the move comes

shortly after the September 19 expiry of a standstill agreement between the two companies. Under it, Axa had been limited to a 49 per cent interest acquired

in 1992. The deal will take the French group's stake in the US insurer to 60.1 per cent, and heralds the culmination of an ambitious move by Mr Claude Bebear, Axa's chairman, to enter the US life insurance and investment

The 49 per cent interest was acquired for \$600m at a time when Equitable was struggling under the weight of underperforming junk bond and real estate investments, and is worth about \$1.4bn.

Axa has injected \$1bn into Equitable, some in the form of preference shares, as part of a rescue plan for the US insurer Subject to the approval of Equitable shareholders, the preference shares will be converted into ordinary stock some time before the end of the year, the US insurer said late on Tuesday.

The deal effectively brings for-ward Axa's assumption of full control over the US group. Part of the preference stock was due to convert into ordinary shares next July.

The timing of the deal could

point to a further injection of capital by Equitable into its core US life insurance subsidiary before the end of this year. At the end of 1993, the US life company had a regulatory capital ratio of 125 per cent, considerably lower than its main competitors, due largely to its real estate holdings.

The planned changes to Equitable's capital structure would strengthen its balance sheet and cashflow, said Mr Richard Jenrette. One of his first actions as chairman of the US group had been to negotiate the original deal with Axa.

Equitable said it planned to file a shelf registration for \$300m of debt, a move which would add to its cash resources and increase its ability to inject capital into the life business.

Aside from the need to bring its regulatory capital position closer to the level of its competi-tors, Equitable's demand for additional capital has grown as its business has expanded. It has been one of the most successful US insurers in the variable life and annuities business, one of the fastest-growing parts of the personal investment market.

At \$19%, up \$% during the morning yesterday. Equitable's shares are trading a third below their peak late last year. US interest rate rises since then have raised concerns about earnings at Donaldson Lufkin & Jenrette, Equitable's securities arm, and Alliance Capital, its investment management group.

#### Self-styled 'blue chips' want wider access to capital

# The Russians are coming – seeking

enior managers of five of Russia's self-styled blue chip companies will today address institutional investors in London as part of a plan to attract more European and US capital to the country's growing equity market. Russia's newly listed companies are already attracting at least \$500m a month from foreign investors, with numbers rising sharply in the last few months after share price rises. Some of the biggest companies are now seeking to improve their ss to international markets

by issuing global depositary receipts (GDRs) during 1995. The five companies are part of the London "roadshow" organised by Moscow-based CA, a brokerage house founded in November 1990, one of the largest market makers in Russian shares.

 Unified Energy System of Russia, an energy company which controls more than 90 per cent of power generation and transmission and incorporates 69 regional utilities, powerlines and other systems, is one of the largest. Established as a joint stock company in December 1992, its shares during the course of the year. Western investors are already estimated by CA to own 16 per

cent of Unified Energy.

• Foreign investors also own a large chunk - an estimated 6 per cent - of Norilsk Nickel, a mining company which produces about a fifth of the world's output of nickel and of cobait. Some 11.5 per cent of the company's shares have already been sold and a further 10 per cent to 15 per cent may be sold in the next

• The Siberian Far East Oil Company (Sidanko) has grown to be the largest oil company in Russia and second only to Lukoil in Russia although it was only established in May 1994. • The Russian government is

preparing to privatise Transneft, which controls 100 per cent of the Russia's oil pipelines.

Almazy Rossii-Sakha, which western investors controls Russia's largest diamond mine in Russia, has been a joint stock company since May 1991.

Over the past few months investors, including a range of specialist funds launched by US and UK institutions, seen some spectacular returns, in some cases up to 600 per cent.

US and UK funds have seen some spectacular returns

"A lot of negatives come out of Russia. People like to dwell on crime and the pyramid selling scandals but there is a whole lot of brass among the muck," says Mr Richard Chenevix-Trench. head of emerging markets at Barings Asset Management, which is planning to launch a \$100-\$200m fund for institutions next month. Investors, however must confront a series of problems and some unusual risks. Most trading is over the counter. Price transparency is poor and insider trad-

begun to address the issue of securing property rights. The quality of information at many companies is often weak with been Russian managers frequently reluctant to give information or meet demands linked to due diligence.

ing is common. According to CA.

the government has only recently

"In many cases we know the businesses of companies but Liam Halligan

when it comes to detailed accounts, things are much hazier", says Mr Chenevix-Trench. "Valuing these companies can be very difficult."

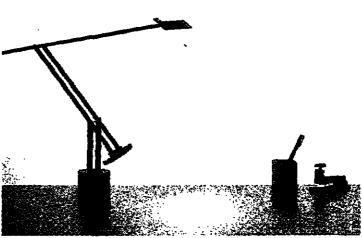
The fact that privatisation was rapid in Russia means that employees and managers often directly own large chunks of equity, minimising the extent to which shareholders can influence the direction of the company. In particular these "worker-manager alliances" are able to secure continued government funding, given their responsibility for social services.

Part of the legacy of the Soviet era, is that many medium and large firms remain responsible for the provision of hospitals, schools and kindergartens for their workers. Firms continue to carry out these functions despite privatisation. Vague notions of social responsibilities are one reason why many assets are valued so cheaply.

Russian companies are now beginning to look beyond the short term. A number of banks are already planning GDR issues for early next year and utility companies could follow suit in

Mr Victor Tokarenko, managing director of CA, says: "We are now ready for partnership with Western firms, not only speculative investment, but strategic investment which is part of a long-term investment policy. We are here to focus on investors interested in normal profit."

Richard Lapper and

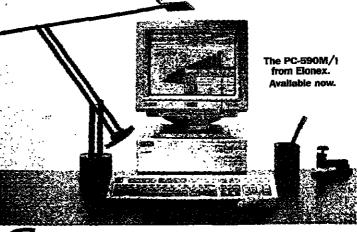


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#### INTERNATIONAL COMPANIES AND FINANCE

FDA finds

Wellcome's

fault with

**US** plant

By Daniel Green in London

Wellcome, the UK drug

company, has been criticised

by the Food and Drug Admin-

istration, which controls the

sale of prescription medicines

in the US, for manufacturing

shortcomings in its main US

The shares fell 19p to 659p

# Czechs to reopen petroleum talks

By Vincent Boland in Pracue

The Czech government is to reopen talks with four international oil groups on the future of the country's petroleum industry, breaking months of deadlock over the role of foreign investment in the

Mr Vladimir Dlouhy, the Czech trade and industry minister, said the government is to "create conditions for exclusive negotiations" between Shell, Conoco, Agip and Total and the Czech Republic's two oil refineries, Chemopetrol Litvinov and Kaucuk Kralupy.

If the negotiations are successful it will be an important breakthrough for foreign companies seeking to invest in the country.

Opposition to foreign participation in the petroleum sector has come especially from Chemapol, a monopoly importer of Russian oil, which tabled a rival proposal for the industry and whose future could be under threat if the foreign oil groups agree terms with the

Mr Dlouhy said the "basic conditions and criteria" for the would be negotiations announced by October 15 and would require approval by the council of ministers. The talks are expected to lead to agreement on a \$700m investment package for the Industry.

Representatives of the four companies, which have been in negotiations with the government for more than two years, described the announcement as "a substantial breakthrough" in their attempts to invest in the industry, which is estimated to need up to \$1bn to bring it up to international standards.

The four companies have offered \$180m for a 49 per cent stake in the two refineries. which process most of the

ments using supplies of Russian oil.

They have also pledged to spend a further \$520m on a five-year investment programme of modernisation and environmental enhancement.

The announcement appears to be a victory for Mr Dlouhy and the privatisation minister. Mr Jiri Skalicky, who have argued strongly for foreign participation in the sector in opposition to ministers, including the prime minister, Mr Vaclav Klaus, who favour keeping the oil refining and petrochemical divisions of the industry

in spite of Wellcome's assurances that the FDA's concerns were "fully addressed" at a meeting between it and the FDA earlier this month. It said the warning referred to the monitoring of manufacturing processes rather than to products themselves. The warning also excluded the manufacture of pills,

> more than 90 per cent" of the output of Zovirax, its top-selling anti-viral drug.
> FDA conducts lightning inspection of all manufacturing plants licensed to make drugs for sale in the US. Warning letters are not especially

> which make up most of the company's sales and "probably

unusual, but Wellcome has not received any since 1979. Wellcome's plant in Greenville, North Carolina, is one of only two that makes virtually all the active ingredients in

Wellcome's medicines. The other plant is in the UK. It said following the meeting with the FDA it "put in place immediate corrective measures. We are currently in talks with the FDA to develop a long term strategy to ensure that standards are main-

Lex, Page 16

New finance director. Page 12 Condom range from Benetton

tained."

Benetton, the Italian clothing maker, will enter the international condom market by launching a new line of condoms in Japan, AP-DJ reports from Milan.

Benetton said its green and pink prophylactics would be produced and distributed on the basis of a licence agreement with the pharmaceutical company Okamato Industries.

# Escom to form alliance with Siemens Nixdorf

By Christopher Parkes in Frankfurt

Escom, one of Germany's fastest-growing personal computer companies, is to team up with Siemens Nixdorf (SNI), the loss-making information technology arm of the Siemens

SNI will buy a 10 per cent stake in Escom during a rights issue due in November, and make between 80 per cent and 90 per cent of the smaller company's PCs and notebooks, according to Mr Helmut Jost, Escom sales director.

"At the bottom line, we will

be left to concentrate on sales and marketing, which has always been our main goal," Mr Jost said. The company had been obliged to manufacture its own products in order to maintain quality and reliable supolies to stores which turn over their stock 1.3 times a

The group, which last year sold 300,000 PCs and laptops, virtually all under its own name, has more than 250 Escom Office retail outlets about half in Germany - was also negotiating a distribution agreement with the Otto Versand mail order group, Mr Jost confirmed. But it was reviewing other potential partner-ships and franchise deals to

Although Mr Jost could not rule out SNI increasing its holding, he stressed the 10 per cent level was fixed to ensure Escom could maintain an

arm's length relationship. "We want to keep control of operations and stay fast and flexible," he said. Many of SNI's early problems stemmed from a culture clash between the conservatism of the Siemens group and the entrepreneurial Nixdorf management. Losses have piled up since the 1990 merger, although restructuring helped reduce the SNI

deficit to DM419m (\$272m) last year on sales of DM12bn. Escom, aiming for sales of DM1.55bn and about DM30m profits this year, is Germany's second-largest PC retailer after Vobis, and last year had an 8 per cent volume share of the domestic market.

The aim of the company's founder, Mr Manfred Schmitt. who will retain a majority stake after the rights issue, is to win a 10 per cent to 15 per cent stake in the European market. According to Mr Jost, this has become more realistic now the company could concentrate on selling. "We went into the Netherlands last year and became number one within nine months," he said. Speed and quality were the keys to success, and quality was now assured by the Sie-

Unichem in \$92.3m cash call

ness of Compagnie de Saint-

Gobain, the French glass and

building materials group;

while Cattle's Holdings said it

was seeking £27.9m for the

purchase of two new subsid-

Mr Jeff Harris, UniChem

chief executive, said the move

was vital if the group was to

pursue an expansion which it

started by spending £165.6m on

acquisitions and warehouse

automation in the past three

years, £49.9m of it in the six

Announcing a 17 per cent increase in first half profits, he

said: "We could not maintain

months to June 30.

mens link. "We are in the fresh vegetable business: you can't make a PC and stick it in a warehouse for two weeks," said Mr Jost. "We count on three weeks - maximum four - from concept stage to store delivery.

Escom's sales have increased at an annual average of 80 per cent since it was founded in 1989, but its enthusiasm outstripped its ability to finance its ambitions from its resources.

Following last year's reversal into a stock exchange quotation via the takeover of the Hako photo and video group, Escom's debts rose to DM251m from DM56m

Six months ago, Mr Karl-Michael Eickmeyer, finance director, said: "Escom is gasping for capital."

Although the company had no problems with its banks, Mr Jost said, he admitted the Siemens tie-up would make life easier in financial circles.

The link with SNI may free Escom's hand in its search for marketing partners. Although Otto Versand remains keen, Mr Jost is not sure computers-by-post is such a good idea. He is unperturbed by this month's arrival in Germany of Gateway 2000, the large US direct-seller. "I don't see them as a potential threat. Mail order in Europe is

#### Stena Line rises 76% to SKr476m in

By Christopher Brown-Humes in Stockholm

first period

Stena Line, the world's biggest ferry operator, yesterday announced a 76 per cent increase in profits to SKr476m (\$64m) for the first eight months.

It said it expected profits of about SKr500m for the full year, well ahead of last year's SKr273m. The group said mar-ket conditions in Scandinavia remained weak and there was fierce price competition on its

However, these factors were more than offset by higher volumes, cost-cutting, profits from a ship sale and lower financial costs. The group also said that its 1993 figures had been hit by SKr55m in restructuring costs.

Turnover rose by 7 per cent increased volumes. Passenger numbers rose 6 per cent to 10.9m from 10.3m, while freight traffic climbed 8 per cent to 584,000 units.

Lines around the UK saw a 10 per cent increase in passer ger volumes, but the benefit was eroded by price-cutting in the run-up to the full opening of the Channel Tunnel.

Scandinavian routes were affected by lower consumer spending and the weak Swedish krona, which has affected travel between Sweden and Denmark/Germany.

#### Daimler-Benz enters insurance

Daimler-Benz, the German industrial company, is setting pany to try to inject more com-petition into the industrial insurance market and keep down rising premiums.

The move will be made through Debis, its service and computer software subsidiary, which already has its own insurance operation serving Daimler subsidiaries and outside customers. The new rein-

surance broking firm will be based in Luxembourg.

Daimler's decision comes as industrial companies in Germany are looking closely at insurance premiums as they reassess their total operational costs; other concerns like BASF chemicals also have reinsurance offshoots.

Siemens, the electrical and electronics group, has just switched a large part of its fire risk business for next year from Allianz of Germany to Factory Mutual of the US to save on premiums.

In recent years, German insurance companies have raised fire risk premiums steeply to try to offset heavy losses resulting from over-ca pacity and under-bidding.

Mr Hans Adam, a Debis director, linked the company's reinsurance decision with the higher cost of fire insurance, the expense of product liability insurance in the US, and increasing risks on the environmental liability side. He said the whole market was becoming less transparent for industrial clients.

#### Deutsche forms mortgage bank

Deutsche Bank is putting its mortgage bank activities together to form a new organisation which will be the biggest source of mortgage

By merging Frankfurter Hypothekenbank and Deutsche Centralbodenkredit, it will create a new bank with a balance sheet total of some DM72bn (\$46.5bn). The merged bank

Hypothekenbank Central-

Deutsche Bank owns more than 90 per cent of both banks. Another group bank, Lübecker Hypothekenbank, with a balmortgage grouping through a

management contract. Mr Bernt Rohrer, who will be chief executive of the merged concern, said yesterday that this concentration of Deutsche will be called Frankfurter Bank's mortgage activities 55 per cent of residential

would make it more competitive in a tough market and enable it to offer bigger individual property loans.

The biggest mortgage bank in Germany is the Wiesbadenbased Deutsche Pfandbrief-und Hypothekenbank, but Mr Rohrer said the amaleamated Deutsche Bank subsidiary would be the biggest granter of mortgage loans in Germany. covering 45 per cent of com mercial property business and

#### ance sheet total of DM12hn finance in Germany. will also be included in the

N&P's chief executive quits post

By Alison Smith in London Mr David O'Brien resigned as chief executive of National & Provincial Building Society yesterday after being told that the board wanted to replace

him with the society's finance director. His successor, Mr Alistair Lyons, 40, was brought into N&P by Mr O'Brien soon after his own arrival four years

ago.
"We really felt we were mov-

ing from a stage where David's skills were very valuable to a stage where Alistair's would be more appropriate," Lord Shuttleworth, N&P chairman, said. When I communicated this to David, he decided to resign."

#### By Tim Burt in London

expand distribution

UniChem, the acquisitive pharmaceuticals retailer and wholesaler, yesterday announced a £58.4m (\$92.27m) rights issue to underpin its expansion as one of Britain's largest suppliers of healthcare

The group plans to use the funds to wipe out short-term borrowings, acquire retail out-lets and move into other health-related businesses.

Acquisition strategies were also cited in two other rights issues announced yesterday by two other companies: Jefferson Smurfit, the Irish paper and packaging company, and Cat-tle's Holdings, the consumer credit group.

Jefferson Smurfit outlined our growth without increased plans to raise I£155m (\$231m) gearing or a rights issue. This to partly fund its acquisition of is the best option." the paper and packaging busi-

If fully taken up, the issue of 24.4m shares - underwritten by Barclays de Zoete Wedd and UBS - would eliminate borrowings leaving the group with about £35.4m in cash.

Most of the group's new funds are expected to be invested in new retail outlets, although UniChem has targeted surgical equipment and hospital supplies as areas for

expansion. Nevertheless, improved performances at Unichem lifted interim pre-tax profits to £21m from £18m, on turnover ahead 11 per cent at £637.7m against £574.1m. Other rights issues, Page 23

# **FEMSA**

Fomento Económico Mexicano, S.A. de C.V.

has sold a 22% interest in its brewery division

Femsa Cerveza, S.A. de C.V.

to

#### John Labatt Limited

The undersigned assisted in the negotiations and acted as financial advisors to Fomento Económico Mexicano, S.A. de C.V.

J.P. Morgan Securities Inc. S.G. Warburg & Co. Inc.

September 1994

#### DIVIDEND NOTICE

PLACER DOME INC.

Notice is hereby given that a regular quarterly dividend, being Dividend No. 30 of seven and onehalf cents (71/4¢) U.S. per Common Share, has been declared payable on December 19, 1994 to shareholders of record at the close of business on November 18, 1994. This is a U.S. one cent per share increase from the previous dividend.

Shareholders with addresses in Canada or Australia will be paid the equivalent amount in the currency of their respective countries, converted at an exchange rate in effect as at the record

> BY ORDER OF THE BOARD John A. Eckersley Vice-President, General Counsel

September 21, 1994

THE ROYAL BANK OF CANADA U.S. \$350,000,000 Floating Rate

in accordance with the Terms and Conditions of the Debattures, the Interest rate for the period 30th September, 1994 to 31st October, 1994 has been fixed at 5%% per ennum. On 31st October, 1994 interest of U.S. \$4.359375 per U.S. \$1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 31st October, 1994 will be determined on

Zith October, 1994.
Agent Bank and
Principal Paying Agent
STROYAL BANK OF CANADA
EUROPE LIMITED

#### **MORTGAGES** NOTICE OF INTEREST RATE VARIATION

The following interest rates will apply from 3 October 1994 for loans not yet drawn and from the first payment date on or after 3 October 1994 for existing borrowers.

> Home Loan Rate 7.99% per annum.

Stabilised Charging Rate 8.29% per annum.

This notice does not apply to loans from Centrebank, a Division of Bank of Scotland.

BANK OF SCOTLAND

A FRIEND FOR LIFE

Head Office: The Mound, Edinburgh EH1 1YZ.

#### U.S. \$100,000,000 ¥78ECB

BACOB Overseas Limited (Incorporated in the Cayman Islands with Ameted Relativy)

nteed Floating Rate BACOB Savings Bank s.c.

1994 the Notes will carry an interest rate of 5.45% per amount. The interest payable on the interest payment date, December 29, 1994 will be U.S. \$137.76 and U.S. \$1,377.64 twely for Notes in denomina

By: The Chase Montellan Bank, N.A. London, Agent Bank

#### SAKURA FINANCE ASIA LIMITED

(Incorporated in the Cayman Islands)

US\$ 1,200,000,000 Subordinated Floating Rate Notes 2000

In accordance with the provisions of the Notes, notice is hereby given that the interest rate for the three month period commencing 29th September, 1994 will be 5.55% per annum. Coupon Payment Date 29th December, 1994.

Coupon Amounts will be

US\$14,029,17 on Notes of US\$1,000,000 US\$ 7,014,58 on Notes of US\$ 500,000 US\$ 1,402,92 on Notes of US\$ 100,000

SAKURA TRUST INTERNATIONAL LIMITED Agent Bank

## The Property Finance Sourcebook 1994 Avoid expensive fees - go straight to the source. With this book you are the expert. The ultimate Property Finance Directory, indispensable for anyone interested in UK property. Call 071 495 1720.



**BANQUE NATIONALE** Use PARIS
USD 580,000,000
Umlated Suburdualed Floating Rate Notes
Notice is hereby given that the rate of
interest for the pancel from September
29th, 1994 to March 29th, 1995 has been
fixed at 5 7625 per cent per annum. The
coupon amount due for this period is USD
289 73 per USD 100,000 denomination and
USD 52,997 28 per USD 100,000 denomination
aftern and is neverable on the interest. nation and is polyable on the payment date March 29th, 1995. The Fiscal Agent Banque Nationale de Paris (Luxembourg) S.A.



U.S.\$200,000,000 Floating Rate Subordinated Loan Participation Certificates due 2000 Issued by Yemaichi International (Deutschland) GmbH for the purpose of funding and maintaining a subordinated loan to The Hokkaido Takushoku Bank Limited In accordance with the provisions of the Loan Agreement, notice is hereby given that for the three month Interest Period from September 29, 1994 to December 29, 1994 the Loan Participation certificates will carry an interest Rate of 5.55% p.a. and the Coupon Amount per U.S.\$250,000 nominal of the Notes will be U.S.\$3,507.29. ber 29, 1994, London

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANC

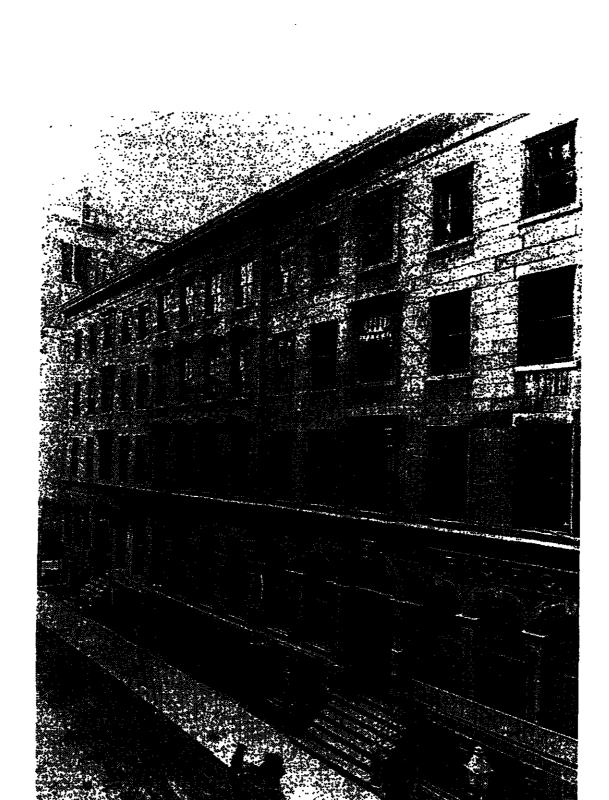
U.S.\$175,000,000 Phatra Thanakit Public Company Limited

("the Company") sted as a landed company in Bangkok, Thailand 3.5 per cent Subordinated Convertible Bonds 2003

NOTICE IS HEREBY GIVEN to the holders of the outstand Bonds that the Company has announced a rights share issue of 203,080,604 shares with a record date of September 26, 1994. In accordance with the provisions of the Indenture constituting the Bonds the Conversion price has been adjusted from Thai Baht 752.10 per share to Thai Baht 155.93 per share effective September 29, 1994.

Phatra Thanakit Public Company Limited





# 30 PINE STREET IS LONG GONE BUT THE FOUNDATION STILL REMAINS.

In 1869, Marcus Goldman started a small company in downtown Manhattan. He spent his days amid the hustle and bustle of a growing city, providing short-term credit to local

businesses. Over the past 125 years, we have come a long way in size and scope from that first little office. Today, Goldman Sachs provides clients with a seamless web of services

that covers the globe. Still, into we find ourselves grounded principles in the basic principles set forth in our early days: commitment to clients, teamwork, individual a fexcellence, creativity and but the covers the globe. Still, into the principles grounded principles set forth in our early days: commitment to clients, teamwork, individual a fexcellence, creativity and but the covers the globe. Still, into the covers the c

integrity. In 1994, we take pride in how we got here, and we pay tribute to the beginnings that have always inspired us. It's a foundation we intend to build on in the years to come.

#### INTERNATIONAL COMPANIES AND FINANCE

# Cut in provisions | Sega and and loan losses helps bolster BCI

Control of American Control

By Andrew Hill in Milan

Total deposits at BCI rose to Net profit at Banca Commerciale Italiana edged up in the first half of 1994 to L151.3bn (\$96.5m), against L149.1bn in the equivalent period, as the bank struggled against difficult trading conditions and narrowing interest margius.
All Italian banks have been

hit by the unfavourable environment, prompting a series of poor half-year results, particularly in comparison with a strong first half in 1993.

BCI's net operating profit fell 43 per cent to L356bn. Net non-interest income was down to L651bn, against L783bn, and net interest income dropped to L1,281bn, against L1,404bn.

Only reduced provisions and loan write-downs - down to L231bn against L274bn - and a lighter tax burden allowed the bank to push up net profits. However, consolidated firsthalf net profits, declared for the first time this year, fell to L177.6bn from L185bn .

However, BCI said it was well-placed to take advantage of any improvement inthe trading environment.

L98,942bn, compared with L88,881bn at June 30 1993. Total funds under management, including deposits, stood at L245,000bn against L220,000bn However, loans to customers shrank from L54,319bn to L49,117bn because of weak demand, while total loans rose to L86,929bn against L84,941bn at the end of the first

half of last year. Last week, the bank completed a share issue which raised L1,575bn. The full con-version of the attached warrants would bring in a further L787bn before the end of next

BCI was controlled by Iri, the Italian state holding company, until March, when the sale of the Iri stake raised some L2,700bn for the government. The announcement of a discounted issue of shares and warrants in May, so soon after the sell-off, was badly received by investors, but the share price has recovered. Yesterday it closed at L4,081, against an opening price of L3,977.

The issue was priced at L3,000 a share and the privatisation price was L5.400.

## Sales climb 4.6% at La Rinascente

Italian retail group, rose 4.6 per cent to L2,626bn (\$1.7bn) in the first half of this year.

The group's hypermarkets, supermarkets and cash-andcarry stores, which account for an increasing proportion of turnover, reported sales of L1,734bn, up 6 per cent, while other outlets, including department stores, turned over L891.2bn, up 2 per cent on the

Pre-tax profit edged up to L27bn in the first half of 1994, against L25.3bn. The company said the imbalance between the first and second halves -

with the second six months accounting for most of the sales volume - made it impossible to forecast full-year

from L102.2bn to L105.3bn, although the results were almost overshadowed by the sale of 33 per cent of the retailer by Fiat, the automotive and industrial group headed by Mr Gianni Agnelli, to Ifil, the Agnelli family's industrial holding company. The move was criticised by investors.

## Atari link in wake of patent row

in San Francisco

Sega Enterprises, the leading Japanese video game manufacturer, and Atari Corporation, a US competitor, have agreed to form an "affiliation" under which Sega will purchase \$40m of Atari stock.

Under the terms of the agreement, which follows the settlement of a patent dispute Sega will acquire an 8 per cent stake – about 4.7m shares – in Atari. It will also pay close to \$50m to acquire worldwide. non-exclusive rights to more

than 70 of Atari's patents. Last year Atari filed suit against Sega, charging that its patent controlling the way in which video-game action moves across the screen was infringed by Sega. As part of the agreement, Atari will drop its legal claims.

The companies also plan to license software for a specified number of video games to one another, so that the games will be available for both Sega and Atari machines.

The companies said the agreements, which are subject to regulatory approval, will form the basis of a working relationship.

Atari said it would use some of the funds from the agreement to expand its marketing programme for the important Christmas season. It hopes to gain ground with its 64-bit game system, called Jaguar, which it claims is technically superior to the 32-bit systems

offered by Sega and Nintendo. For Atari, an early leader in the video game market that lost ground to Nintendo and Sega in the 1980s, the agree ment provides a much needed cash injection. In June, it said it had enough cash to fund its operations through to the end of this year.

Atari's revenues plummeted to \$28.8m last year, from \$127.3m in 1992, as it withdrew from the personal computer market. Losses in 1993 were \$48.8m.

Sega's revenues for the year ended March 1994 were deputy chairman, was now responsible for the operating tax profit of Y42.5bn, down 23

# Lean times spoil a free lunch on Wall St •

Securities houses are stepping up cost-cutting programmes, writes Patrick Harverson

Monday, Lehman was reviewing its "meal-compensation programme". Translated into English this meant the securities house had decided it would no longer provide free lunches to its 1,500 sales and trading

The move, which follows similar cost-cutting measures by other securities houses in recent months, was just the latest indication that Wall Street, after enjoying three years of fat profits, is going through some lean times.

The attempt to rein in costs at Lehman go well beyond deciding to stop paying for traders' pastrami-on-rye sand-wiches. The firm, headed by Mr Richard Fuld, also

announced this week it was sacking 100 of its 300 domestic retail brokers as part of a restructuring of its privateclient business. It was just the latest in a round of cuts which has seen the firm shed more than 700 jobs this year alone, out of workforce of more than

Although the motives behind the redundancies at Lehman are unusual - since it was spun-off from American Express in a public share offering earlier this year, the mannent has been determined to trim the cost structure, one of the more bloated on Wall Street - the securities industry as a whole is facing up to an unpalatable fact: revenues are falling while expenses are

This disturbing trend was Brothers amounced it most clearly illustrated last month when the New York Stock Exchange released second-quarter results of its member firms. Between them, the firms earned \$18.4bn in revenues during the period, down from \$17.9bn in the same three months of 1993. Expenses, however, rose from \$15.6bn to

As a result, NYSE firms which together earned pre-tax profits of \$2.4hm in the second quarter of last year - lost \$622.8m between April and June this year. It was the industry's worst quarter since 1987, the year of the October stock-market crash. Mindful of criticism that

Wall Street has been slow to cut back on costs during previous downturns in the earnings cycle, firms this year have been quick to prune their pay-rolls. Aside from Lehman, other big houses which have shed jobs recently include Merrill Lynch, CS First Boston, PaineWebber, and Prudential Securities. Many of the cuts have been concentrated in the fixed-income trading and sales side, where the worldwide bear market in government and mortgage-backed securities has left firms with sharply lower revenues - or, in some cases, losses - in their bond busi-

job reductions announced so far this year are unlikely to be the last, say analysts, some of whom remain critical of firms' slowness in



Richard Fuld: announced further staff cuts this week

nues. Mr Michael Flanagan, who follows the securities industry for Lipper Analytical in New York, says: "The indus-try has been slow in adjusting costs in the hope that conditions would turn upward towards the end of the year. The possibility of that scenario developing now appears remote. So, for the remainder of the year the industry is going to be paying even more attention to cost control. The impact of some firms'

inability to cut costs enough in the face of falling revenues will be evident next month when Wall Street releases its thirdquarter results.

Last week, Lehman provided

a foretaste when it reported earnings for its fiscal third quarter, which ended on August 31. Revenues were down 19 per cent as earnings from brokerage commissions, trading, and investment bank-ing all fell. Expenses, however, were down only 5 per cent from a year ago, and Lehman's profits plunged 89 per cent to rust \$11m.

The results of other large firms are expected to be equally discouraging. Since February, the rise in US and European interest rates, the troubles of stock, bond and currency markets, and a dropoff in corporate debt and equity issuance have all taken their toll on Wall Street's bottom line.

The only positive aspect of the current environment is the steadiness of asset management revenues, and the robust health of the mergers and acquisitions business, which is thriving in the wake of a series of multi-million and billion dollar deals in the entertainment, defence, healthcare and telecommunications industries.

These positive features, however, have not been enough to offset the deterioration in other businesses: rising securities underwriting and trading revenues fuelled the boom on Wall Street between 1991 and 1993, and this is where firms are hurting the most today.

They have also begun to suffer in other areas, say analysts. According to Mr Flanagan: The industry's poor results during the first two quarters of

marily in trading and underwriting categories. Those two areas have not improved in the third quarter, and it's becoming more evident that other revenue sources are also beginning to falter - such as [broking] commissions and mutual fund sales. And the yield curvo is flattening somewhat, which will further depress net interest income for firms."

Mai pla

f the immediate future for Wall Street is not particularly bright, there is cause for hope over the longer term. US interest rates will probably rise further, but the current round of policy tightenings appears to be nearer its end than its beginning - so stability could return to earnings as early as next year. Also, for those big securities houses with formidable presences in capital markets outside the US. long-term growth prospects are

Economists predict a steady increase in demand for capital worldwide over the next decade, as less-developed economies in Latin America, eastern Europe and east Asia push for growth. With a greater concentration of expertise in rais ing money for corporations and governments on Wall Street than anywhere else in the world, a small group of US firms led by Goldman Sachs, First Boston, Merrill Lynch. Morgan Stanley, and Salomon Brothers should be well-placed to feed the global hunger for

By Andrew Hill

Sales at La Rinascente, the

equivalent period.

Last year, net profits rose

La Rinascente has confirmed that Mr Luigi Arnaudo, the management of the company. per cent. By Edward Orlebar

The Nicaraguan government expects to sell a 40 per cent stake in Telcor, the national telecommunications company, by the end of the year, in what will be the first telecoms privatisation in Central America.

Six foreign companies -France Telecom, Korea Telecom, AT&T, GTE, Telefónica de España, and STET International - have pre-qualified for the sale. The government will retain a 49 per cent share and the remaining 11 per cent will

be offered to Telcor's 3,300 employees on preferential

Nicaragua in telecoms sell-off

Nicaragua has about 70,000 telephone subscribers and, at less than two lines per 100 people, one of the lowest telephone densities in Latin America. Investors, who will have

management control of the company, must expand the telephone network to 12 lines per 100 people by the end of the decade, says Mr Hjalmar Ayestas, a consultant to Telcor. The concession is expected

to be granted for between 25

and 30 years, with exclusivity Officials say the sale could raise more than \$300m for the

The Nicaraguan congress has yet to approve the sale. However, despite some union opposition and scepticism from the Sandinista party, the bill is expected to be approved next month.

Telcor has embarked on an ambitious modernisation programme over the past three years, replacing an antiquated analogue network with a digi-

#### Arco joins Venezuela in oil development scheme

Arco International Oil and Gas has signed a letter of intent with Corpoven, a subsidiary of PDVSA, Venezuela's national oil company, covering the development of a heavy oil project requiring total investments of \$3.5bn.

The plan is to produce and apgrade heavy crude oil from Venezuela's Orinoco Belt for export, reaching shipments of 200,000 barrels a day by 2004.

The Orinoco Belt, located north of the Orinoco River,

holds the world's largest known reserves of heavy oils and bitumen. PDVSA, which estimates reserves in the belt at 1,200bn barrels, has assigned strategic importance to developing this heavy oil potential. Arco, a subsidiary of Atlantic Richfield of the US, and

Corpoven plan to upgrade heavy crude oil through a new industrial process to a lighter, more valuable oil, and later blend the product with other Venezuelan crudes. Exports are to be aimed mainly at US



#### **BANQUE WORMS**

CONSOLIDATED RESULTS

1994 first-half results .

The Board of Directors of Banque Worms, chaired by Jacques-Henri Gougenheim, met September 21, 1994 to approve the Bank's consolidated accounts for the first six months of the year which show a loss of FRF 394 million. These results nevertheless represent an improvement on the Bank's budgeted first-half performance.

After taking these mid-year results into account, the Bank's consolidated stockholders' equity exceeds FRF 4 billion at June 30, 1994. Total assets amount to FRF 65.1 billion, of which FRF 27.7 billion represent customer outstandings. The Bank's European solvency ratio increased to approximately 10 percent. This improvement reflects a substantial reduction in the Bank's balance sheet during the past year (over FRF 15 billion) as the UAP Group took over Banque Worms' endre real entage investment and loan

Moreover, the Bank is about to enter into discussions with employee representatives leading to the contraction of its organizational structure and, by virtue among others of modernized systems, to reduced expenses. The results expected from these measures will lead to the re-establishment of the Bank's capacity to contribute to the consolidated earnings of the UAP Group, of which it is an

Indeed, the earnings forecast for the second half of 1994 presented at the Board Meeting anticipates a substantially lower loss than that just recorded and, for 1995 consolidated figures, a return to break even, followed by a profit in 1996.

#### Residential Property Securities No. 2 PLC

£200,000,000

Mortgage Backed Floating Rate Notes 2018 Notice of Partial Redemption

S.G. Warburg & Co. Ltd. announce that Notes for the nominal amount of £4,000,000 have been drawn for redemption on 31st October. 1994, in accordance with Clause 5(b) of the Terms and Conditions of the Notes.

The distinctive numbers of the Notes drawn, are as follows: 673 694 715 735 757 777 798 819 839 861 881 903 923 947 967 991 1013 1035 1055 1076 1096 1116 1136 1157 1177 1199 1219 1241 1261 1282 1302 1325 1846 1866 1886 1906 1927 1949 1969 1989

On 31st October, 1994 there will become due and payable upon on of each Note drawn for redemption, the principal amount thereof, together with accrued interest to said date, at the office of:-

S.G.Warburg & Co. Ltd. 2 Finsbury Avenue, London EC2M 2PA or one of the other paying agents named on the Notes. Interest will cease to accrue on the Notes called for redemption on and after 31st October, 1994 and Notes so presented for payment should have attached all Coupons maturing after that date.

29th September, 1994

£76,300,000 nominal amount of Notes will remain outstanding

after 31st October, 1994.

# Bank of Montreal

NOTICE is hereby given that on September 30, 1994 a partial payment of Cdn.512,50 for each Cdn.\$1,000 principal amount of Olympia & York First Canadian Place Limited 11% Series 3 Secured Bonds due 1993 (the "Series 3 Bonds") will be available to holders from The Royal Trust Company, truster under the Trust Deed dated as of September 19, 1988 pursuant to which the Series 3 Bonds were issued. Holders may obtain partial payment on this date by presenting the original Series 3 Bond certificate to any of the following paying agents:

NOTICE OF PAYMENT to Holders of OLYMPIA & YORK FIRST CANADIAN PLACE LIMITED

11.00% Series 3 Secured Bonds due 1993

London Office London EC4N SED

Banque Internationale à Luxembourg S.A. 2 Boulevard Royal

Luxembourg Credit Suisse 8 Paradeplata 8021 Zurich

Krediethank N.V. 7 Rue d'Arenberg 1000 Brosselles

Bank of Montreal First Canadian Place Foronto, Ontario, M5X LA1

Series 3 Bonds presented for payment will be marked to show the partial payment and returned to the holder. No interest or other income on or in respect of the payment amount will accrue to holders presenting Series 3 Bonds after September 30.

Persons having an inverest in Series 3 Bonds malnulated in the Euroclear or Cedel clearing systems need not present such Series 3 Bonds for paymens, as arrangements have been made for the payments in respect of such Series 3 Bonds to be made through the clearing systems.

Any inquiries concerning the payments may be directed to the Principal Paying Agent, Bank of Montreal, London Office, Attention: Manager, Fiscal Agencies, telephone (4471)-236-1010. Dated this 29th day of September, 1994. THE ROYAL TRUST COMPANY

U.S. \$100,000,000

Floating Rate Subordinated Loan Participation

Certificates Due 2000 Merrill Lynch Bank AG

> for the purpose of funding and maintaining The Saitama Bank, Ltd.

Notice is hereby given that for the interest Period from September 29, 1994 to December 29, 1994 the Certificates will carry an Interest Rate of 5.575% per annum. The amount of interest payable on December 29, 1994 will be U.S. \$140.92 per U.S. \$10,000 principal

By: The Chase Manhattan Bank, N.A. London, Agent Bank September 29, 1994



DO YOU WANT TO KNOW A SECRET? The LD.S. Garm Seminar will show you how the medicate REALLY work. The emertrading techniques of the legendary W.D. Genn can increase your profits and contain you losses. How? That's the secret. Fling 061 474 0080 to book your FREE place.



ECU Futures pic

# First half 1994

On september 21, 1994, CPR's Board of Directors were informed of the Group's activities and results for the first half of 1994. Group share of net profit was FRF 140.6M compared to FRF 155.6M for the first half of 1993. Consolidated shareholder's equity amounted to FRF 3.34bn at June 30. 1994 and the balance sheet totalled FRF 191bn. The European solvency ratio was 9.7 %.

**Proprietary trading** The Group's exposure to interest rate changes was substantially

CPR and CGM fully profited from the continuing decline in shortterm interest rates by developing transformation operations on maturities of less than 3 years, and also by diversifying arbitrage activities on securities and new finan-

Paresco inc's activities were affected by the sharp rise in American interest rates at the beginning of the year.

At June 30, 1994, proprietary trading activities contributed, before goodwill amortization, FRF 112M to consolidated profits compared to FRF 122.2M during the first ball

#### Asset management

Assets under management, at CPR Gestion for fund management and Schelcher-Prince for private clients, amounted to FRF 51.2bn, a FRF 2bn increase since December

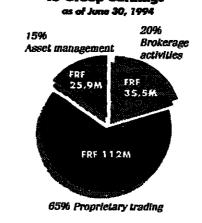
Subsequent to the merger with Banque Française d'Investissement,

in a difficult market environment, the Group's risk management and control systems enabled CPR to stay on course.

Despite the sharp fall in the financial markets during the first half of 1994, the contribution from proprietary trading activities continued to represent 65 % of Group profits.

Client-oriented activities -asset management and brokerage- accounted for 35 % of consolidated profits before goodwill amortization.

Contribution of the 3 businesses to Group earnings\* as of June 30, 1994



statute of a bank. Net profits of asset management activities amounted to FRF 25.9M, representing 15 % of consolidated profit compared to PRF 18.1M for the first half of 1993

CPR Gestion has now acquired the

#### **Brokerage activities**

The year began with strong voiumes, but then fell significantly during the second quarter.

CPR intermédiation, which has been appointed a Spécialiste en Pensions sur Valeurs du Trésor (Primary dealer in Treasury security repos), is a leading operator in the securities repos market.

wards the end of the first half, activity at Scheicher-Prince, the stockbroker, remained buoyant.

Despite the decline in volumes to-

Revenues and profits of the Group's interbank brokers rose significantly.

Foreign subsidiaries suffered from the difficult economic conditions. particularly in Spain.

Profits from brokerage activities amounted to FRF 35.5M. a FRF 12M decline over the comparable period of 1993.

#### (FEF 173.4H to FRF 187.6H at 30/06/32)

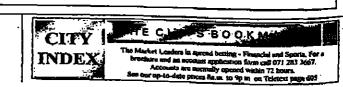
Outlook Thanks to the quality of its staff, CPR remains confident about the Group's future expansion despite current uncertainties concerning the interest rate markets.



BANKING GROUP SPECIALISING IN ASSET MANAGEMENT AND BROKERAGE ACTIVITIES

For further information, contac Patricia Caspar - Tel 33(1) 45 96 27 14 GPR - 4. cité de Londres - 75009 Paris, Prance

Scecombe, Marshall and Campion (71) 600 40 04



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#### INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Dow Deutschland, a subsidiary of Dow

Chemical of the US, is seeking to buy a

majority stake in east Germany's

former state oil and chemical operations after it has completed an

extensive evaluation study, company

An investment by Dow, which has been seeking a foothold in eastern

Germany for some time, would boost prospects by the Treuhand privatisation agency to find additional partners for the Leuna/Buna/Böhlen chemical

officials said yesterday.

are greatly exaggerated.

sharply.

ket-making.

has slowed markedly in recent

months, warrants have severely underperformed the

underlying stock market of late and volatility has declined

In this environment, Morgan

Stanley recently stunned the

trading community with its

decision to pull out of warrant

market-making, the second defection this year after Baring Brothers withdrew in January.

In the D-Mark sector, where

only some 40 warrants are actively traded, Commerchank

announced early this week

that it, too, would stop mar-

However, most market par-

ticipants say the market is suf-

fering only a temporary mal-

aise from which it will recover

when the environment improves. It's been a difficult

time, but the market has sur-

vived tough times before and

will do so again," says a senior

The market for Japanese

equity warrants - call options on stocks, stripped from bonds

issued by Japanese companies and then traded independently has had its ups and downs. Pushed to dizzy heights in

the late 1980s by the raging

bull run in Japanese equities,

warrants slumped when the

Nikkei 225 index plunged from

EUROPEAN DIVESTMENT BANK

PTE 15,000,000,000 Roating Rate Notes Due 1999

rate for the period 30th September, 1994 to 30th March, 1995 has been fixed at 10.35% per annuar. The interest payable on 30th March, 1995

Principal Paving Acent

ROYAL BANK OF CANADA

warrant dealer in London.

# NatWest plans to invest | Dow bids for stake in east German operation in Indian venture bank

By Stofan Wagstyl in New Delhi

National Westminster Bank of the UK is planning to invest about £10m (\$15.8m) in a newly-formed joint venture Indian

It is the latest move by an international financial services group to take advantage of india's economic liberalisation programme. NatWest is proposing to take

a 20 per cent interest in HDFC Rank, which is promoted by the Housing Development Finance Corporation, India's largest housing finance company. HDFC would hold 35 per

The deal is expected to be signed in early October. HDFC Bank is one of 10 new privately-owned banks licensed by the Indian authorities as part of efforts by Mr P.V. Narasimha Rao, prime minister, to

liberalise the economy. The authorities have also licensed five new overseas banks - Dresdner Bank of Germany. Chase Manbattan of the US, the Bank of Mauritins, the Development Bank of Singapore and Denmark's ING Bank. Several other banks, including

Alcoa of Australia, the

alumina producer owned joinfly by Alcoa in the US and Western Mining Corporation, warned yesterday that cutbacks in production at its Portland Schmidtum smelter could

secured new power arrange-

ments with the Victoria state

ernment, China International

Trust investment Corp (Citic),

First National Resource Trust

and Marubeni Ahmintum Aus-

tralia - said it had been

advised that the state electric-

ity commission would with-

draw power supplied under a

neital agreement with

become permanent unless it

reo joins lake

1004

Germany's Commerzbank, are also considering applying for

NatWest and the other new entrants will join about 24 foreign banks already operating in India, including Standard Chartered Bank of the UK, Australian-owned ANZ Grindlays, and Citibank, American Express and Bank of America from the US. Unlike most Indian-owned banks, foreign banks escaped nationalisation in the 1970s, but suffered until recently from tight operating

The authorities might have anted new licences sooner had it not been for the 1992 Rs40bn (\$1.28bn) securities market scandal in which foreign banks were accused of

playing a prime role.

The Indian authorities hope that the new banks will increase competition. India is dominated by 28 state-controlled banks holding 90 per cent of banking assets. The encouragement given by the finance ministry and the Reserve Bank of India the central bank, to foreign banks comes in the face of criticism from some politicians who have blamed all foreign banks

those involved in the securities scandal, such as Standard Chartered Bank and Citibank.

Mr D.R. Mehta, a deputy director of the Reserve Bank of India, the central bank, said India very much wanted to encourage competition from foreign banks and would distinguish between scandal-affected banks and the rest.

NatWest, which was once represented in India through one of its forerunners, the National Bank, sees the joint venture with HDFC as a better way of entering than establishing a wholly-owned banking operation.

They also think it will be an advantage to be tied to a strong local partner when bidding for government-related business such as privatisation. The partners would offer shares to the new bank's employees, and to employees and shareholders of HDFC. The bank would be floated on the stock market early next year.

NatWest is also planning to open a representative or liai-son office in Bombay through which it could handle nonbanking business such as capi-tal markets activities.

# may float

The smelter had already cut production by around 26,000 tonnes a year as a part of the global initiative to reduce output in response to serious international oversupply, but it

tion would be temporary. authorities.
The smelter 7 a joint venture between Alcoa, the state gov-The state authorities have to waive the three-month notice period so that the withdrawal of the supplemental

said, would cause the smelter to operate at an aluminium production capacity of around 300,000 tonnes a year.

may be permanent

was envisaged that this reduc-

been seeking to renegotiate the power arrangements since May 1993. The smelter owners said they would "welcome the opportunity to agree on a satisfactory basis for acquiring additional power", but offered power would be effective immediately. to reach 90,000oz a year when full capacity is reached.

## **Australians** French mine

Eltin, the Western Australian mining and earthmoving contractor, and Orion Resources, a WA goldminer, said yesterday that they were considering floating the Salsigne gold project in France.

The companies, who were

esponding to a query from the Australian Stock Exchange, said they had engaged the stockbroking company James Capel in London to explore possible options, and expected its findings to be presented within the next three months. The project, near Carcassonne in south-west France, is the country's last gold mine. Production has been budgeted

a high of 38,295 to a low of 20,222 in 1990, falling as low as 14,309 in 1992. They have shadowed the stock market's lacklustre performance through the Japanese recession.

Japanese warrants are down, but not out ated accordingly. From a high it, reports of the Japanese equity warrant market's death of \$67bn in 1989, issuance slipped to \$29bn in 1991, \$16bn in 1993, and has totalled a mere \$8.2bn in the year to date, according to data from Euro-True, symptoms of an ailing market abound the supply of bonds with warrants attached

Sexony-Anhalt.

In its letter of intent to the Treuhand.

Dow has targeted its interest on the

steam cracker facilities at the

Sächsische Olefinwerke in Böhlen, the

electrochemical units and derivative

operations at Buna, in Schkopau, and

the polyolefin and intermediate

The decision on what it will buy will be made by the end of the year.

of east Germany's chemical sector

All three facilities formed the nucleus

Since unification, the Treuhand has

cical operations at Leuna.

under the former communists.

money Bondware. Meanwhile, the expiry of more than \$100hm of warrants in the past two years alone has meant that a significant number of maturing issues have not been replaced, thus reduc-

#### **DERIVATIVES**

ing the absolute number of actively traded warrants.

This year's uninspiring performance of the underlying market hasn't helped. After a spurt early in the year, the Nikkei 225 has languished in a narrow range between 19,000 and 21,000.

"When the stock market is static and volatility falls, this erodes the time value of the warrants, causing them to fall in price," says Mr Cliff Ben-ford, head of trading in Far Eastern markets at Fleming Securities.

Warrants dramatically underperformed stocks in recent months. After reaching high of 1,093 on June 17, the D.E. Shaw Warrant Index fell by 37 per cent to 689 this week, commared with a 9.5 per cent drop in the Nikkei 225 during the same period.

But according to Morgan Stanley, its main reason for pulling out was that warrant market liquidity was drying

We will continue to have a substantial presence in the ent business and proprietary trading," says Mr Charles Sto-nehill, head of European equity operations at Morgan "But what we believe is unattractive is a marketmaking requirement in a mar-

complex in the eastern German state of been engaged in a massive have an annual turnover of \$6hn. restructuring programme aimed at

in the region.

strategy in Europe.

attracting investors to install a new

steam cracker facility and oil refinery

Despite overcapacity in the chemical

industry in Europe, a Dow official said:

"East Germany is part of our long-term

to serve all of Europe, not only west, but also eastern Europe."

and federal authorities were expected to

provide "the normal grants" for such an

investment. Dow's European operations

The official added Germany's state

We are looking for a better position

ket of declining liquidity. Following the liquidation of large warrant positions this year, some investors' withdrawel from the market has rendered it less liquid, says Mr Stonehill. "You can't run a market for the benefit of the market makers - you need to have some sophisticated inves-tors. If liquidity comes from market-makers dealing with each other, that's false liquid-

Others disagree. "This is not a dealer-driven market, it's driven by institutional investors - the dealers just provide additional liquidity," argues Mr Louis Salkind, managing director at DE Shaw Securities. one of the biggest warrant market-makers. Moreover, he adds, there is actually more liquidity in many warrants than in the underlying stocks.

Some say it's not so much the market's liquidity but its profitability, or lack of it, that persuaded Morgan Stanley to ston making markets. They say that houses with a well-established client base have been able to weather the storm more easily than those with large proprietary trading books, largely the big US houses, which have suffered most from

this year's downturn. "The houses with huge hedge books have enjoyed great profits in the past, and this is the first cold bath they've taken," says Mr Benford. Since Flemings' business market, both through our cliis driven by institutional inves-

these droughts - we're not with the convertible bond ma ket taking up some of the affected by the drop in volatility because we don't have a proprietary book", he says.

Warrants, which tend to he highly geared, are a favoured the Japanese stock market. Warrants are a speculative vehicle offering fast, liquid and leveraged exposure to the market," says one trader. Meanwhile, the 11 remaining

Shew (1000) Nikkel 225. Average 1.0

market-makers are expected to continue providing a liquid market. The London-based warrant market-makers are Daiwa, Nikko, Nomura, Yamaichi, Goldman Sachs, Salomon Brothers, Robert Fleming, BZW, Cresvale, DE Shaw and Smith New Court.

However, despite a chorus of soothing statements from the market-makers, supply does remain an issue. New Japanese accounting rules, introduced in April, which require that bond and warrant portions of new issues be accounted for separately, were seen to increase the issuers' cost of funding and

The Treuhand has been providing generous financial investment incentives for the Leuns/Buns/Böhlen

chemical sector in which 68,500 people had been employed before 1990. This

figure has sharply fallen to 12,300

through closures, redundancies and

At the same time, the Treuhand,

backed by the finance ministry, has picked up the sector's DM3.5bn (\$2.27bn) old debts and has provided a

further DM5.5bn in real investments

which will increased to DM8.7bn by

early retirement schemes.

While the new rules do alter the playing field, they don't justify predictions of doom for the warrant market, according to Mr Salkind at DE Shaw. While warrant issuance has dropped off substantially since the new rules took effect... the recent shortage of warrant issues is probably more reflective of seasonal pat-

terns and bearish sentiment in the warrant markets than a reaction to the changed regula-Moreover, as the convertible market, which has seen a rise

in issuance in recent months. approaches saturation, "there is increased interest from issuers who perceive the warrant market as still open for issuance," says an official at Nomura.

According to several market sources, the coming months are likely to see some large dollar offerings which could revive the warrant market provided the stock market also shows some improvement and volatility recovers. "We need a pick-up in market volatility before we would regard the market as generally cheap," the Nomura official says.

Amid predictions of the market's recovery, even Morgan Stanley seems to be keeping its options open. "Though we don't feel optimistic about any immediate change in market conditions, that could change." says Mr Stonehill. "Some of these factors may be reversible, and if so, we will re-evaluate our decision."

Conner Middelmann

## effect from January L This, it

Alcoa output cuts

ECU 329 MILLION (equivalent)
LIMITED RECOURSE PROJECT: FINANCING to ELSÖ MAGYAR KONCESSZIÓS AUTÓPÁLYA RT.

M1-M15 TOLL MOTORWAY



Co-Arrange

FOREIGN CURRENCY DEBT FINANCING

DEM 182.385.000

Lender of Record

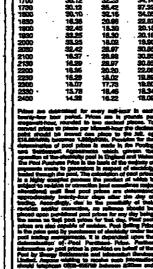
Deutsche Bank Group
Caisse d'Epargne Group/Société Centrale des Caisses d'Ep Société Générale

HUNGARIAN FORINT DEBT FINANCING

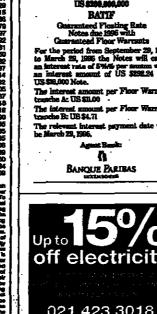
HUF 12,000 million Arranged and Provided by European Bank for Reconstruction and Devel

General Agent: Banque Nationale de Paris an Bank for Reconstruction and Devel Advisor to the Hungarian Government: Morgan Grenfell & Co. Limited





11.24 11.24 11.24 11.24 11.24 11.24 11.24 11.24 11.25







CREDIT LYONNAIS
USD 50.000.000,
UNDATED
SUBORDINATED
STEP UP VARIABLE
RATE NOTES

informed that the rate policable for the coupon No6 has been fixed at 6,4875 %.



Bank of Tokyo (Curação) Holding N.V. U.S.\$800,000,000

> Subordinated Guaranteed Floating Rate Notes Due 2000 Guaranteed on a subordinated basis as to payment of Principal and Interest by

The Bank of Tokyo, Ltd.

rdance with the provisions of the Notes, notice is hereby give that the rate of interest for the three months period 29th September, 1994, to 29th December, 1994, has been fixed at 5-500 per cent per an Coupon no. 17 will therefore be payable on 29th December, 1994 at U.S.\$6,951-39 per coupon from Notes of U.S.\$500,000 nominal and U.S.\$695-14 per coupon from Notes of U.S.\$50,000 norm The Bank of Tokyo, Ltd.

London

#### **FOKUS** Bank

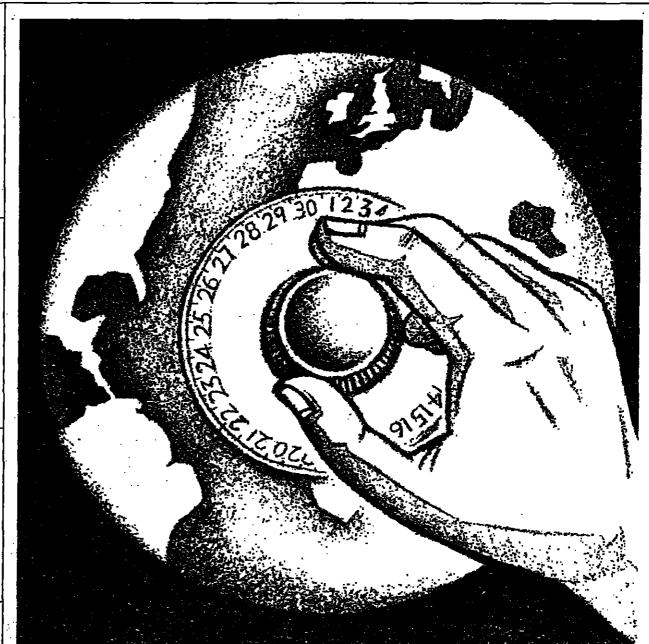
Fokus Bank A.S. US\$75,000,000 Subordinated floating rate notes due 2004

Notice is hereby given that for the interest period 29 September 1994 to 29 March 1995 the notes will carry an interest rate of 6.8375% per payable on the relegant inten nent date 29 March 1995 will amount to US\$343.77 per US\$10,000 note and

US\$3,437.74 per US\$100,000 Agent: Morgan Guaranty Trust Company

**JPMorgan** 

The compon N°6 will be payable at the price of USD 16.128,65 on March 24th, 1995, covering the period as from eptember 26th, 1994 to March 23rd, 1995 lusive), and represen 179 days of interest The Agent Bank and Principal Paying Agent CREDIT LYONNAL



# On Friday, September 30 all will be revealed.

On Friday, September 30 the FT IMF/World Economy Survey will be published with the Financial Times. Its publication is on the eve of the most important date in the financial calendar, the IMF/World

nce, which this year will be held in Madrid. The survey will include extensive coverage of both macro and micro economic issues, analysis of cial and business trends in selected countries and regions, plus an authoritative assessment of the

in fact, be an essential document as background to the proce

Financial Times, Europe's Business Newspaper.

up-date on financial developments throughout the world.

By Conner Middelmann

A new type of open-ended

mutual fund is available to UK

institutional and retail inves-

tors: the Nikko Japan Return

Reversal Fund, run by Nikko

International Capital Management (NICAM). Investing in

Japanese equities, it aims to

outperform the broad Tokyo

Its investment strategy is

Research conducted by two

American academics has

shown this trend to be particu-

larly pronounced over the long

term in the Japanese equity

market, they state. Nikko's

fund therefore aims to select

fundamentally undervalued

makes sense," says a London

based on "mean reversion" the-

stock market index, TOPIX.

NICAM launches

#### INTERNATIONAL CAPITAL MARKETS

# Auction of benchmark gilt meets strong demand

By Martin Brice in London and Frank McGurty in New York

UK government bond prices were pushed higher yesterday after the successful auction by the Bank of England of £2bn of new stock.

The auction - of 81/2 per cent gilts due 2005 - was covered 1.74 times, close to market forecasts, and had a tail - the difference between the top and average yield - of 1 basis

Unsatisfied demand for the bonds - which will become next year's benchmark - after the auction drove prices the market that the Bank of England moved to meet this demand by supplying an extra £100m of gilts after the auction to help market-makers who found themselves short of stock. One trader said: "It is pretty rare for the Bank to sell other stock on the day of an auction, and it has supplied stock right along the yield

Traders believed that the Bank supplied £100m in total of the 7 per stock due 2001, 9 per cent stock due 2011, and 8 per cent stock due 2013.

They believed much of the new gilt went to long-term investors, and then marketmakers who had been selling futures against the new benchmark issue, found themselves short of stock and needed to cover their positions.

"It has been a very technical market today, with a big squeeze. But cash volumes have been pretty pathetic. There hasn't been a lot of profit in it."

The December long gilt future moved up 3 to 99% spread over bunds was 151 in ■ German government bonds followed US Treasuries upwards in the afternoon, with the December bund future around 89.60 in late trading, up 0.60 point on the day.

#### GOVERNMENT **BONDS**

Mr Adrian Owens, European economist at Yamaicht said: "The market had a much better feel to it, and the floatingrate note was well received." The DM10bn floating-rate bond met strong demand, trad-

A total of DM4.49bn was issued yesterday, after DM3bn was issued the day before. The Bundesbank withheld DM2.5bn for market-tending purposes.

■ The performance of the Italian government bond market yesterday was a reaction to domestic political events. The yield on the 10-year bond fell by 15 basis points to 11.63 per cent on hopes of a reduced government deficit

budget.
"The Italian soap opera continues," said Mr Neil Williams, analyst at UBS in London.

He said the market rallied by almost a point on the news that the government's budget had been finalised for presentation to parliament, but fell back on news that the trade unions were planning a short strike in protest at pension cuts, and on news that the Northern League had dissociated itself from the budget.
Mr Williams said: "It will be choppy ride from here on. The market will continue to ebb and flow on rumours of the

deficit. It is a fascinating mar-Yesterday's economic news ■ US Treasury bonds regained

their poise yesterday morning as traders ignored an inconclusive report on durable goods

By midday, the benchmark 30-year government bond was heralded by agreement on a % better at 96%, with the yield slipping to 7.799 per cent. At the short end, the two-year note was up & at 100%, to yield 6.50 per cent.

> Bonds were stronger overnight after retreating the previous day on the decision by the Federal Reserve to stand still with its current policy on

> On the long end of the maturity range, Tuesday's inaction by the Fed had brought a measure of disappointment. Holders of the most inflation-sensitive securities would have prefered a more forceful response to recent signs of economic acceleration.

are essentially neutral for the

Treasury market. The Commerce Department said orders of goods built to last more than a year had risen 6 per cent last month, against expectations of a 3.8 per cent increase.

Bonds slipped on the headline figure, but quickly recov-

Most of the unexpected surge was attributed to aircraft orders, perhaps the most volatile of sectors. Without transportation, the August increase was only 23 per cent, a tame growth rate which traders were able to brush aside.

ory, a concept derived from Bonds gained additional supstatistical evidence which shows that the price of a share port from weakening gold tends to over or undershoot its intrinsic value, returning to its The market was still facing "real" value over time, NICAM

prices and a firmer dollar. the Treasury's afternoon auction of \$11bn in five-year notes. Despite a lukewarm reception for a two-year sale the previous day, traders were approaching

shown keen interest in short-

dated sterling paper. The

stocks at the bottom of their price cycle and capture their price recovery. Given expectations of a ager HSBC Markets, the paper stronger Japanese stock marmet with good demand from ket performance as the continental European retail economic recovery gathers investors, who have recently pace, "the timing of the launch

dealer.

innovative fund The fund's investment strategy follows a three-stage approach to select the stocks which are deemed most likely

> perform TOPIX. It begins with the selection of the worst-performing 25 per cent of stocks over the preceding eight years listed on the first section of the Tokyo stock

to increase in value and out-

Each stock is then measured to establish its level of undervaluation, and is judged to establish its potential value for performance, in order to remove stocks of fundamentally poor companies.

Finally, the stocks are assessed on the basis of specific fundamentals, including net worth, risk, equity and financial solvency. The final portfolio will consist of 60 to 80 stocks and will be rebalanced each quarter to ensure that all stocks in the portfolio are likely to be undervalued and that those which have already reached their peak are

NICAM launched an institutional offshore fund using the return reversal strategy in February 1992, which, it says, has outperformed TOPIX by more than 9 per cent and the Nikkei 225 index by 22 per cent.

#### Exam plan by | **US** banking regulators

US banking regulators plan to give bank employees who sell mutual funds and other investment products an examination similar to that given to brokers by the National Association of Securities Dealers, Reuter reports from Washing-

The plan aims to ensure that bank employees give accurate information to customers about the investment products they are buying, including risks of buying funds that are not

The US Comptroller of the Currency, Mr Engene Ludwig, told a conference of the Consumer Bankers Association that regulators are finalising details of the testing pro-

# Warm reception for Lebanon's debut offer

By Conner Middelmann

The launch yesterday of Lebanon's debut eurobond was a resounding success, meeting so much investor interest that although the size of the issue

#### INTERNATIONAL BONDS

was increased, it failed to satisfy all the demand, market participants said.

After launching an initial \$300m of the 10% per cent three-year bonds, lead manager Merrill Lynch raised the size to \$400m in response to "overwhelming" demand, according to a Merrill syndi-cate official. "The issuer wanted the deal to be tightly placed, and we convinced them that even \$400m would make

no difference in terms of

market reception," he said. indeed, the bonds saw keen demand from a wide variety of investors. "There has been a lot of demand from retail investors, several institutions in the Gulf region, and the who's who of European funds and insurance companies," said the syndicate official. A

large portion of the paper was

said to have been bought by

The bonds were priced to yield 325 basis points over the corresponding Treasury bill, largely as expected. The spread on the bid price narrowed to 305 basis points over by the end of the day.

Lebanese expatriates.

In the D-Mark sector, the African Development Bank issued DM300m of 7% per cent five-year bonds. Priced to yield 24 basis points over the 6% per cent Treuhand notes, they saw good demand from German

banks and investment funds in Benelux countries and Switzerland, said Deutsche Bank.

Meanwhile Doutsche Rank and Morgan Stanley continued building the books for the World Bank's DM2bn global bond, which is expected to have a five-year maturity and be launched on Tuesday.

US DOLLARS

Soc. Gén. Ace

ITALIAN LIRE

LIMENBOURG FRANCS

could see the launch of a DM150m 10-year bond for a government-guaranteed Japanese borrower

8.00

102.45

120

Société Générale Acceptance made a rare appearance in the sterling sector, issuing £120m of 8% per cent three-year bonds. According to lead man-

Dec.1999 1.75

#### bonds were priced to yield 40 basis points over the 8% per cent gilt due 1997, which was widely deemed to be fair. **NEW INTERNATIONAL BOND ISSUES**

Coupon %	Price	Meterity	Fees %	Spreed bp	Book runner	l
10.125	99,538A	Oct.1997	1.90A	+325(6)4%-97	Mentil Lynch Internetional	l
8,875	99.877R	Nov.1997	0.20R	+40(874%-97)	HSBC Markets	١
7.25	99,83R	Oct.1999	0.25R	+24(61/-95)	Deutsche Bank	
11.00	101.52	Nov.1998	1.625		BCI	

1.60 1.79 1.99 3.35

8.39 5 yrs 9.88 15 yrs 9.81 20 yrs

5.07 3.95

#### EC in insurance rule move

Sep 28 Sep 27 Yr. ago Sep 28 Sep 27 Yr. ago Sep 28 Sep 27 Yr. ago

88.8 8.93

6.54 7<u>.2</u>4 7,30

8.94 9.03 8.91

9.14 9.01

The European Commission has dismissed newspaper reports that recent European Union rules on insurance companies' solvency requirements could harm the \$1,500bn eurobond

market, Renters reports. According to the reports, insurance companies could lose their ability to own euro-bonds because a EU directive prohibits securities not traded in regulated markets to amount to more than 10 per cent of assets qualifying for

6.28 7,10 7,23 7,41

Sep 26 Sep 27 Yr. ago

8.81

8.79 8.72 8.78

8.78

8.82

the purpose of meeting solvency rules. But a Commission spokeswoman said the rules allowed EU countries to classify Eurobonds as securities "suscepti-

bls to be traded" in EU exchanges.
The International Securities Market Association, the nonregulated market's body, agreed with the Commission's interpretation and said that the problem noticed in Britain could be solved.

BENCHMARK GOVERNMENT BONDS	italy	FT-ACTUARIES FIXED INTEREST INDICES
Fied Day's Week Month Coupon Date Price change Yield ago ago	III NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%	Price Indices Wed Day's Tue Acquer UK Qitts Sep 28 change % Sep 27 interes
Australia 9.000 09/04 92.0100 -0.580 10.30 10.10 9.37 Belglum 7.250 04/04 92.2800 +0.680 8.45 8.63 8.42	Open Sett price Change High Low Est. vol. Open int.	1 Up to 5 years (24) 119.37 +0.18 119.15 1.60
Canada 6.500 08/04 84.8500 +0.750 8.87 9.02 8.81	Dec 99.63 100.25 +0.62 100.65 99.63 61000 63222 Mer 99.68 +0.80 0 735	2 5-15 years (21) 137.68 +0.71 136.71 1.79 3 Over 15 years (9) 153.27 +1.08 151.63 1.96
Denmerk 7.000 12/04 87.2700 +0.500 8.95 9.20 8.79 France BTAN 8.000 05/98 101.8250 -0.250 7.43 7.56 7.21		4 irredeematoles (©) 173.90 -0.13 174.12 3.35 5 All stocks (60 135.34 +0.59 134.55 1.86
OAT 5.500 04/04 83,4000 +0.550 8.05 8.22 7.84 Germany Treu 7.500 09/04 98,8600 +0.660 7.52 7.71 7.23	E ITALIAN GOVT. BOND (ETP) FUTURES OPTIONS (LIFFE) Lin200m 100ths of 100%	Badan Baland
Rely 8.500 08/04 83.2000 +0.360 11.38† 11.75 11.61 Japan No 119 4.500 08/99 103.9040 +0.060 3.83 3.57 4.18	Strice CALLS PUTS Puts Perce Dec Mar Dec Mar	Index-Baland 6 Up to 5 years (2) 184.57 +0.14 184.32 -0.07
4.100 12/03 97,4880 +0.030 4.48 4.50 4.78	10000 2.13 2.98 1.88 3.30	7 Over 5 years (11) 171.82 +0.44 171.07 0.75
Netherlands 5,750 01/04 88,8800 +0.530 7.45 7.84 7.27 Spain 8.000 05/04 82,7500 +0.670 10.97 11.34 11.02	10060 1.85 2.75 2.10 3.57 10100 1.80 2.54 2.35 3.86	8 All stocks (13) 172.27 +0.41 171.57 0.67
UK Gilts 6,000 08/99 89-23 +11/32 8.62 8.86 8.33 6,750 11/04 86-08 +20/32 8.82 9.04 8.50	Est. vol. total, Calls 1891 Puta 6711. Previous day's open inc., Calls 13595 Puts 18599	Debentures and Loses
9,000 10/06 101-23 +25/32 8,78 8,97 8,52 US Treesury* 7,250 08/04 97-27 +2/32 7,56 7,55 7,20		9 Debs & Loans (76) 125-25 +0.74 125-33 2.50
7.500 11/24 96-15 - 7.80 7.83 7.48	A	Average gross redemption yields are shown above. Coupon Bands: Lov: 8%-7%
ECU (French Gov() 6.000 04/04 83.4900 +0.580 8.59 8.61 8.40 London closing, "New York mid-day Yielda: Local market standard.	Spain NOTIONAL SPANISH BOND FUTURES METT	
† Gross (including withholding tex at 12.5 per cent payable by nonveeldering Prices: US, UK in 52nds, others in decimal Source: MildS international	Open Sett price Change High Low Est. vol. Open Int.	FT FIXED INTEREST INDICES
US INTEREST RATES	Dec 87.05 87.44 +0.67 87.45 87.00 42.583 73,775	Sep 28 Sep 27 Sep 26 Sep 23 Sep 22 Yr ago
Lisachtime Treasury Bills and Bond Yields  One postsh 4.53 Two year 6.52		Govt. Secs. &NQ 90.43 90.10 \$0.27 90.23 90.08 101.85 Fixed interest 107.02 107.17 107.20 107.08 106.67 122.64
Drives role 72. Two month 4.75 Three warr 8.00	_	* for 1894. Government Securities high visco complistion: 127,40 @/1/35j, low 49.1; 25 and Flood Interest 1928. SE activity indices rebased 1974.
Burdier loss rate   612   Truce month.   4.76   Fine year   7.20   Fed. Lunch   41   50x pounds   5.36   10-year   7.25   7.26	UK  NOTIONAL UK GILT FUTURES (LIFTER \$50,000 32nds of 100%	On man 1 man imman, 1 days old manach months ton an
	Open Sett price Change High Low Est. vol. Open Int.	
BOND FUTURES AND OPTIONS	Sep 99-25 100-14 +0-20 100-16 99-24 677 16968	FT/ISMA INTERNATIONAL BOND SERVICE
France	Dec 98-31 99-25 +0-24 99-31 98-25 101000 93284 Mar 99-05 +0-24 7 0	Listed are the latest international bonds for which there is an adequate secondary
E NOTIONAL FRENCH SOND FUTURES (MATIF)	LONG GILT FUTURES OPTIONS (LIFFE) 250,000 84ths of 100%	Issued Etc Offer Chg. Yield
Open Sett price Change High Low Est. vol. Open int.	Strike CALLS PUTS PUTS Put Dec Near	U.S. DOLLAR STRAGHTS United Kingd
Dec 110.90 111.22 +0.56 111.30 110.88 169,742 127,657 Mar 110.14 110.48 +0.56 110.42 110.14 136 7,198	99 2-15 2-61 1-29 2-51	Abbets Presidence 79 20
Jun 109,44 109.76 +0,56 109,44 109,44 2 354	100 1-43 2-31 1-67 3-21 101 1-13 2-06 2-27 3-69	Austra 8 <sup>1</sup> 2 00 400 163 <sup>1</sup> 2 103 <sup>2</sup> 4 7.66 World Bank 5 Bank of Tologo 8 <sup>2</sup> 5 98 100 101 4, 102 <sup>3</sup> 5 7.06 World Bank 6
	Est. vol. total, Culle 3403 Pubs 503. Previous day's open int., Calls 50504 Pubs 55163	Beigium 5½ 03 1000 83½ 83½ ½ 8.18 BFCE 7½ 87 150 101½ 102 7.09 SWISS FRAN
LONG YERM FRENCH BOND OPTIONS (MATIF)		Bellish Gas 0 21 1500 10 <sup>1</sup> 3 10 <sup>5</sup> 2 8.82 Asian Day Bo
Strike — CALLS — PUTS — PUTS — Price Oct Dec Mar Oct Dec Mar	<b>F</b>	Carectle 9 96
110 1.22 2.16 2.35 0.03 0.95 -	ECU BOND FUTURES (MATE)	China 6½ 04
111 0.38 1.57 1.82 0.17 1.30 2.40 112 0.03 1.03 1.40 0.90 1.81 2.92	Open Sett price Change High Low Est, vol. Open Int.	Cecili Fornoire 9 <sup>1</sup> / <sub>2</sub> 99 300 107 107 <sup>2</sup> / <sub>3</sub> -1 7.55 Sinc de Franc Denmark 5 <sup>2</sup> / <sub>4</sub> 98 1000 95 <sup>2</sup> / <sub>4</sub> 98 7.78 Finland 7 <sup>2</sup> / <sub>4</sub> 9
113 - 0.63 2.44 - 114 - 0.54	Dec 79.80 80.28 +0.62 80.34 79.80 1,468 8,490	East Japan Relikacy 6°s 04 600 85°s 86°s 823 Hyunchii Miste
Est. vol. total, Calla 20,646 Puts 24,225 , Previous day's open Int., Calls 349,917 Puts 528,306.		EEC 81, 96 100 102 <sup>1</sup> 4, 102 <sup>1</sup> 4 8.78 Kaba 8 <sup>1</sup> 4 01 .
Germany		EB 7 <sup>2</sup> , 96 250 101 <sup>5</sup> g 102 8.72 Calanto 6 <sup>3</sup> s 0 EB 9 <sup>3</sup> s 97 1000 105 <sup>5</sup> g 105 <sup>5</sup> g 7.21 Casebec Hydro
IN NOTIONAL GERMAN BUND FUTURES (LEFFE)* DM250,000 100ths of 100%	# US TREASURY BOND FUTURES (CBT) \$100,000 \$2nds of 100%  Open Latest Change High Low Est, vol. Open Int.	Bec de France 9 98 200 100°g 100°g 7.41 SNCF 7 04 Excelleng 9°4, 96 100 100°4, 100°4, 100°4, 100°4 827 World Benk 5
Open Sett price Change High Low Est vol Open Int.	Dec 98-23 58-20 +0-03 99-01 98-22 250,535 386,515	Ex-im Bank Japan 8 02 500 100 <sup>1</sup> g 100 <sup>1</sup> g -1g 7.97 Workt Bank 7 Export Day Corp 9 <sup>1</sup> g 98 150 106 <sup>3</sup> g 106 <sup>3</sup> g 7.49
Dec 89.05 89.57 +0.57 89.71 88.98 173669 144866 Mar 88.50 88.88 +0.56 88.80 88.50 241 1522	Mar 98-08 98-04 +0-03 98-11 98-00 2,419 22,041 Jun 97-15 97-15 +0-07 97-18 97-15 503 10,609	Federal Nati Micet 7.40 04 1500 96% 97% 97% 8.02 YEN STRAIG
		Frontato Deport 9 <sup>1</sup> 0 95 200 102 <sup>7</sup> 0 103 <sup>7</sup> 0 6.51 BB 6 <sup>7</sup> 0 00 _
BUND FUTURES OPTIONS (LIFFE) DN250,000 points of 190%	dapan	Ford Motor Credit 64, 98
Strike	IF NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES	GMAC 9½ 86 200 102½ 103 -½ 7.20 Rely 3½ 01 _ tod Bit Jepen Rn 7½ 97 200 100% 10½ +½ 7.46 Jepen Dev St
Price Nov Dec Jen Mar Nov Dec Jen Mer 8950 0.84 1.17 1.04 1.32 0.77 1.10 1.66 1.94	(LEFFE) Y100m 100ths of 10096  Open Close Change High Low Est vol Open int.	Inter Amer Dov 7 1/2 96 200 101 1/2 101 1/4 6.64 Japan Dev 61/4 baty 61/2 23 3500 74 75 1/4 9.11 Nappan Tel Te
9000 0.60 0.91 0.83 1.10 1.03 1.94 1.95 2.22 9060 0.40 0.69 0.65 0.91 1.33 1.62 2.27 2.53	Dec 108,65 108,43 1634 D	Japon Dev Bit 5 <sup>1</sup> <sub>2</sub> 01 500 102 <sup>1</sup> <sub>2</sub> 102 <sup>1</sup> <sub>3</sub> - <sup>1</sup> <sub>2</sub> 7.87 Norvey 5 <sup>1</sup> <sub>3</sub> 8 Kanesi Bio Per 10 98 350 104 <sup>1</sup> <sub>3</sub> 104 <sup>1</sup> <sub>3</sub> 6.79 SNCF 6 <sup>1</sup> <sub>3</sub> 00
Err. vol. Intel., Cells 9009 Puts 11145. Previous day's open int., Cells 199401 Puts 189614	dista - LIPPE contracts traded on APT. All Open Interest figs. are for previous day.	Korea Bac Power 61 03 1350 854 854 48 820 Spain 54 02
		Matsustilla Elec 74 02 1000 95% 96 8.17 World Bunk 6
UK GILTS PRICES		Norway 7 <sup>1</sup> 4, 97 1000, 100 <sup>1</sup> 2, 100 <sup>2</sup> 4, 7,00, 7,00, Oranto 7 <sup>2</sup> 6,00 3000, 85 <sup>2</sup> 6, 95 <sup>2</sup> 6, - <sup>1</sup> 6, 8.31, OTHER STRY
• ·		Outer Kontrolloomk 8 <sup>1</sup> 2 01 200 103 <sup>3</sup> 1 108 <sup>3</sup> 4 7.90 Genffrence La Petro-Carteda 7 <sup>1</sup> 1 98 200 100 <sup>1</sup> 2 101 8.98 103 Deut Indu
Yield		Portugal 54, 05 1000 85 854 8.20 World Bank 8
	led Price E + or - High Low Notes (1) (2) Price E + or - High Low	Outbac Prov 9 58 200 10352 10452 +14 7.76 Bank Ned Ga
Stantary (Lines up to Pine Venera) Trees On 1990 11 - 1034 Trees On 1990 12 - 1034 Trees On 1990 12 - 1034 Table 1990 1990 1990 1990 1990 1990 1990 199	120 111년 + 1월 123월 193일 Index-Listand 전 173 71년 + 4월 88월 68일 2018 - 187일 2.86 4.20 198일 + 월 2022년 197일 18] 11[전] 12 4월 12 23월 101일 주민(12) 1735의 2.87 3.88 197의 수년 113월 108월	Sainsbury 9 <sup>1</sup> 4, 98 150 103 <sup>1</sup> 2 104 <sup>1</sup> 4 7.19 Alberta Province SAS 10 99 200 105 <sup>5</sup> 4 108 <sup>5</sup> 4 8.40 Sell Geneda 1
Brits 3pc Gas 1990-65 3.05 5.96 98 8	01 007 11 total 8/22 2500 01 78.3 242 3.54 1655 +3 1767 1835	SNCF 912 98 150 10912 10874 7.46 Billion Column
Tours 12-bpc 1995; 12-03 7.08 106 133 1023 Gaw 9 ts pc 2006 9.11	1891041 4 1252 1024 4 5 1011 1356 3.5 3.5 1654 + 1654 1355 1674	State Sk NSW 8 <sup>1</sup> 2 98 200 102 <sup>3</sup> s 102 <sup>3</sup> s 6.98 Esc de Franc
15-epc 1996;1 1270 7.64 111 2 1212 1112 74pc 2006;1 239		Sweden 5 <sup>1</sup> / <sub>2</sub> \$5 2500 99 99 <sup>1</sup> / <sub>4</sub> 6.39 Gen Blac Cap Swedish Depart 8 <sup>1</sup> / <sub>2</sub> \$6 700 102 <sup>1</sup> / <sub>4</sub> 102 <sup>1</sup> / <sub>2</sub> 6.73 KW let Fin 10
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9-bc 1995	Prospective real redemption rate on projected inflation of (1) 1076 and (2) 696. (b) Figures in parentheses show RPI bese for	World Bank 84: 97 1500 1041; 1041; 8.99 Belgium 81; 9
Treats 74th 199812 7.53 8.51 96.2ml +4 105.2 953.	indexing the 8 months, prior to issue) and have been adjusted to reflect rebasing of FPH to 100 in January 1987. Conversion factor	DRUTSCHE MARK STRAIGHTS Code Lyong
14pc 1096-1 12.06 8.74 1161 +1 131 11513 Over Fillers Years	3.945. RPI for Jenuary 1994; 141.2 and for August 1994; 144.7.	Austra 62 24 2006 80%, 814, 41, 824 EB 10 97 8m
Trees 15-ge 1881: 12.62 8.62 127(in) +1 140,3 122,3 1685 0pt 2346	791 +7, 683 779 Other Fixed Interest	Decreat 64 88 2000 975 974 +1 6.89 key 104 00 E
Treat Spt 2012;; 8.78	L71 10213 +1-1, 1273, 1005,	Depte Finence 6 <sup>1</sup> / <sub>2</sub> (2) 1500 90 <sup>1</sup> / <sub>2</sub> 90 <sup>1</sup> / <sub>2</sub> + <sup>1</sup> / <sub>4</sub> 7.69 8pin 9 90 50 Deutstre Bk Fin 7 <sup>1</sup> / <sub>2</sub> (8) 2000 97 <sup>1</sup> / <sub>4</sub> 98 <sup>1</sup> / <sub>2</sub> + <sup>1</sup> / <sub>4</sub> 7.95 United Kingdo
Treas 51 <sub>202</sub> 2008-12 <u>1; 7.57</u> Treas 8pc 2013 <u>1;</u> 8.51	1882   72日   +3 897   774   1894   17日   17日   17日   17日   17日   1894   17日   17日   1895	## 7.36 ADC 10 98 A
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#### COMPANY NEWS: UK AND IRELAND

Rights issue announced to raise I£155m to help fund acquisition of Cellulose du Pin

# flotation boosts Jefferson Smurfit

Jefferson Smurfit Group, the Dublin-based paper and packaging company, reported a surge in interim pre-tax profits, from I£50.7m to I£251.6m (£248.6m), thanks to the flotation of Jefferson Smurfit Corporation in the US, in which it has retained a 46.5 per cent

company The announced an underwritten 1-for-10 rights issue to raise a net I£155m towards its I£684m acquisition of Cellulose du Pin. the paper and packaging operations of France's Compagnie Saint-Gobain, the purchase of which propelled it to the too of the European corrugated paper industry six weeks ago. The rights price of I£3.30 represents a discount to the mar-

rally, which took shares in London up 21p to 421p. The group expressed optimism about growth prospects in its core markets. "We've got

ket especially after yesterday's

a very bullish outlook for the second half. It is time for this industry to start clawing back some of the losses it made in the past four years," said Mr Dermot Smurfit, joint chair-

The results were buoyed by net exceptional credits of 1£206.9m, representing the write-back of a provision made against its investment in Jeff-erson Smurfit Corporation, which had been through a refinancing, and taking into account other gains and costs relating to the flotation.

The underlying trading profit before interest and tax, including associate companies, rose only modestly to I£41.8m (1239m). But the company indicated it expected to see strong cashflow coming through from its operations as price ses were absorbed by the marketplace.

The recovery of raw materials costs has been slower than we'd like, but it is starting to happen in most of our major



Dermot Smurfit: looking to claw back losses in past four years

markets," said Mr Smurfit. We're not talking about price increases, but price recovery; bringing prices back to where they used to be four to five years ago."

(1.2p), a 17 per cent increase.
The group is looking to benefit from the industry's cyclical Earnings per share rose from upturn over the next few 7.4p to 51.6p, with the excep"This year is not where it's at for the company. The full impact of strong product price action and the real benefits of the US restructuring will only flow through over the next couple of years," said Mr Michael Moroney, analyst at Goodbody's stockbrokers in Dublin. COMMENT

Smurfit will take advantage of the paper industry's bounce back from recession over the next couple of years. Full-year profits are forecast at I£100m-E110m, or 16.5p a share, giving a heady prospective p/e of nearly 26. This drops sharply to about 12 on next year's earnings forecasts, which go as high as 35p a share, buoyed by the price rises. The acquisition could have been funded from debt, but the rights issue looks a prudent move as it will give the acquisitive group some flexibility to look for takeover targets in Germany, where it sees a gap in its European port-

# Cattle's £28m call to buy consumer credit provider

By Christopher Price

Cattle's (Holdings) is to expand its consumer credit operations with the acquisition of Welcome Group from London and Manchester, the financial services company, for a consideration of up to £27.4m

The deal is to be financed by a 2-for-9 rights issue at 118p a share, which will raise about Cattle's shares closed down

7p at 135p yesterday. Welcome provides monthly credit facilities, mostly unsecured personal loans and hire purchase agreements.

It has a 39-strong branch network, concentrated in the Midlands and north of England. and a customer base of about 33,000

Cattle's main source of revenue, Shopacheck, makes smaller unsecured loans and product sales, with renayments made weekly to an army of door-to-door sales staff.

There are also marked differences in the rate of interest charged by the two companies. with Welcome's rate anywhere between 20 and 50 per cent and Cattle's more than 50 per cent, although the company pointed out that its rates usually included administration and

Mr Edward Cran, Cattle's chief executive, said that Welcome would benefit from the 44,000 customers who used Cattle's own monthly credit facility. Shopaplan, which is run out of small retail out-

He added that the co-operation between the group and London and Manchester, in which they have used each other's customers as leads for new business, would be devel-

Cattle's is paying an initial 221.4m for Welcome. A further £2.5m is to be paid after three years, with an addierated by Welcome by the end

Welcome, which started trading five years ago, turned pre-tax losses of £1.43m in 1991 into profits of £1.57m last year. Turnover nearly tripled in that time from £15.7m to

£45.53m. Mr Cran said the deal would be earnings neutral in 1995. Analysts, who have pencilled in pre-tax profits of about £26.5m for Cattle's in 1995, said that it would require some £4m of profits from the new divin and a further £1m from Cattle's other recent purchase, Reedham, an invoice fac toring company, for that to

happen. Mr Cran, who said that current trading in both the Shopacheck business and the two new acquisitions was at record vels, asserted: "There should be no problem whatsoever in achieving those kind of

# Cash calls send right signals

#### Simon Davies reports on the announcement of further rights issues

he appouncement of a further three rights issues yesterday, following Monday's £235m cash call from Reckitt & Colman, indicates renewed corporate confidence in the demand for new shares, after the summer

the Happy Pice

However, the number of such offers is likely to be linked increasingly to mergers and acquisitions activity, as balance sheets are replenished by record net cash inflows, due to the improving economic

back-drop.
This week's issues have all been linked to corporate purchases, while last year's record £11.4bn of rights money was more frequently applied to patching up balance sheets.

In part, the change in motivation reflects a waning of institutional demand, in the face of both an over-supply of flotations and the more volatile stock market conditions.

equity strategist at Barclays de Zoete Wedd Securities, said: "There is not the same wall of money that there was this time last year, particularly from the overseas institutions."

What money there is, has been drawn towards flotations. The Stock Exchange estimates that £5.81hn was raised from rights issues in the first eight months of the year, while the corresponding figure for flotations was close to £9bn.

However, James Capel expects rights issue activity to pick up in the last quarter, with a full-year forecast of

This would represent almost 1.5 per cent of the stock mar-ket's capitalisation at the start of the year, which is close to the average figure since the

The attraction of raising funds through share issues might be expected to increase with the turning of the UK Mr Richard Kersley, UK interest rate cycle, which has

raised the cost of long-term bank money. Analysts point out, however,

that interest rates remain at an historically low level. In addition, there is a limited need for Statistics released last week

show that UK industrial and commercial companies generated a capital account surphis of £4.7bn in the first quarter of 1994, and £4.78bn in the second The figures demonstrate the

highest level of corporate liquidity since the late 1970s, a consequence of low interest costs and capital expenditure, and the fact that earnings are increasing at a faster pace than dividends.

By comparison, the first half of 1993 saw a £1.75bn capital outflow, although there was a £917m surplus for the

As a result, there has been a sharp decline in the number of "rescue rights

**DIVIDENDS ANNOUNCED** 

issues," with the only substa tial example being Eurotunnel. Other large issues, from companies including Allied Lyons, Commercial Union, Reckitt Williams Holdings and GKN, and to a lesser extent Lasmo, have been motivated by acqui-

tional item accounting for

44.6p. The company declared an interim dividend of 1.4p

Analysts predict that the improvement in corporate cash flow will result in a substantial revival in takeover activity, since companies have recharged their balance sheets.

This would increase the flow of rights issues, since the scars of the late 1980s can be seen in companies' preference for using capital markets rather than banks to fund

M&A activity peaked at £27.2bn in 1989, but had fallen to £7.06bn last year. However, Hoare Govett is

forecasting a recovery to about £11bn this year. This should be matched by increases in the number of rights offerings.

## Signet trims losses to £25.8m but warns on weaker sales trend

Signet Group

Signet, the jewellery group formerly known as Ratners, cut its interim losses slightly but warned yesterday of a weaker sales trend continuing in the US and softer September sales in the UK.

City analysis cut their fore-casts for full-year profits from £20m to £10m, and the shares closed 3½p down at 28½p. The pre-tax loss for the six

months to the end of July eased from £26.9m to £25.8m. Included in the latest figures are trading losses of £4.65m at the Salisburys luggage and handbag chain, which was sold last month, and a related pro-

vision of £1.5m. The group expects no further costs to arise from the dis-

The operating loss on continuing activities fell from £7.32m to £3.06m. Sales were flat at £375.6m. compared with £375.9m previously. Interest payments rose from £15.3m to

Mr James McAdam, chairman, said it was too early to say whether the softening US sales trend would make it more difficult for the group to trade its way out of debt as the Christmas trading season would determine the final

The group's attitude to a possible financial reconstruction remained the same as at the annual general meeting in

'All our effort has been directed at trading," Mr Mc-Adam said.

"If you do not have a cake in the first place there is no point in splitting it up."

However, Mr Julian Treger, an adviser to the UK Active Value Fund – a large holder of US dollar convertible preference shares - said vesterday that the capital structure was

Sep 91 1992 ource: FT Graphite

arguably holding the company back. He added that the issue needed to be addressed in the interests of all shareholders. "The risk is, if they wait long enough there will not be a cake," he said.

1993

Preference dividends have not been paid since early 1992. and arrears now stand at £78m.

Net debt eased from £101.6m to £394.5m, although the group attributed most of the improvement to exchange rate move-

The group now operates 616 stores in the UK, mainly trad-ing as H Samuel and Ernest Jones, and 909 in the US, where jewellery sales rose by 5 per cent to £240.8m.

The closure of Ratners cut 102 stores from the UK total, the main reason behind UK jewellery sales falling 7 per cent to £134.8m. UK like-forlike sales were 3 per cent

Mr McAdam said the group's reorganisation of the UK side of the business was virtually complete. Signet is now com-pleting the refurbishment of nine H Samuel and five Ernest Jones branches, and plans to refurbish up to 150 stores next

The basic loss per share was 10.5p (10.9p).

#### TI pays up to £19.4m for German acquisition

TI Group, the specialist engineering company, has agreed to pay up to DM47.4m (£19.4m) for Technoflow, which makes flexible fuel carrying systems for European car manufacturers at plants in Germany and Spain.

Technoflow is being sold by Technoform, a private German engineering group based in Kassel, to Bundy, the sector of TI which specialises in fluid

carrying systems. Last year Technoflow made a pre-tax profit of £2m on sales of £17m. It had net assets of £6m at the year-end.

TI is paying £5m for an ini tial 25 per cent stake and will acquire the remaining share capital in two equal parts in 1995 and 1996.

Mr Karl Caprano, the chief executive of Technoflow, and the management have agreed to stay with the com-

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Adwestfin	5.4†	Nov 25	5.2	7.5	7.2
Beazer Homesfin	1.8 🏟	Nov 18	-	1.8	-
Brightstone Propint	1	Nov 3	-	-	-
DCS Groupfin	0.5	Dec 5	n <del>i</del> ll	nil	nii
Dev Securities	0.1 ‡	Nov 24	nit	ΠĀ	nii
ErithInt	0.75	Nov 24	0.35	-	1
Frogmore Estsfin	13.2	Nov 18	12.4	17	16
Globel §int	0.2	Nov 30	0.2	-	0.5
Greenacre §int	0.16	Nov 25	0.15	-	0.33
Hend' H'land	1.4♥	Nov 10	1.4	-	5.6
MR Data M'mentfin	3.46	Nov 17	3.46	5.536	5.19
Quality Softwareint	1	Jan 16	-	-	1.25
Quayle Munrofin	6	Nov 4	3	9	6 <b>*</b>
Regent Innsfin	3.65	Nov 18	- 2 <i>.</i> 25	5.4	2.25
Smurfit (J)int	1.4	Jan 3	1.2306		3.74
Thorpe (FW)fin	2.2	Nov 18	1.87	3.2	2.67
UniChemint	2.5	Dec 30	2.2	-	6.5
Otvidends shown pence increased capital. §USM currency. *For 10 month	stock. 🏚	For nine-m	conth perio	d. ‡Gros	ted. †On s. <b>Şiris</b> h

# subscription agreement with Throgmorton Preferred Income

Particulars |

ADMIRAL has acquired worldwide rights to the marketing information database product, Mind, from the receivers of Third Wave Network, the Hounslow-based software house, for £750,000 in cash. BEARING POWER International is raising £2m through a

Trust whereby Throgmorton will subscribe for 2m preference shares at £1 each. BEAUFORD GROUP has sold Wade Training to Mr Annesley Renshaw, its managing director, for £119,000, including £99,000 repayment of an intercompany loan.

**NEWS IN BRIEF** BLAGG: Rights issue received

acceptances in respect of 12.21m new ordinary shares (76.89 per cent). CHEMRING acceptances to its offer for Kembrey in respect of 26.59m

shares (97.02 per cent). The offer has now closed. ELIZA TINSLEY Group is paying £175,000 for JH Carter (Chains), a maker of chain and plastic sleeving into the indus-

trial and DIY markets. EMERGING MARKETS Country Investment Trust has raised £10.5m, before expenses in a placing of C shares, spon

sored by Olliff & Partners. Applications for 17.42m C

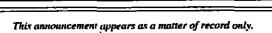
shares, issued at 60p each, were received. PLANTATION & GENERAL Investments has sold the busiings, its sub-contract pres-

swork company, for a cash con-sideration slightly in excess of RANGER OIL now has control of 21.36m ordinary shares (96.6 per cent) in Union Jack Oil and the offer has been declared unconditional. It will compul-

sorily acquire the balance of

Union Jack shares. RELYON GROUP has sold its foam manufacturing plant within its Pritex subsidiary to **SOUTH WALES Electricity has** bought 250,000 of its own

shares at 810p.
WATSON & PHILIP is spending about £3m in rebranding the 335 stores in its convenience store network under the "Alldays" name. Its W&P Retail subsidiary will be renamed Alldays Stores.



# "Mirror Group" £245,000,000

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#### SALE OF TWO VESSELS, ANCHORING AT THE PORT OF SUEZ UNDER INTERNATIONAL PUBLIC AUCTION

The General Authority for Police Supplies, Ministry of Interior, announces an international public auction for the sale of the two Vessels: "Reef Star" and "Sky", at their present condition where they lie anchoring at Suez Port.

Reef Star

Authority at the above address, against the payment of 250 US Dollars.

Street, Cairo) at 12.00 hr (noon), on Tuesday 15th November, 1994.

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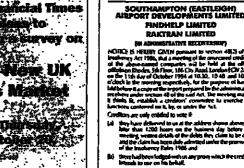
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**NOTICES** 

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# Weinberg to head 'vulture' fund

Sir Mark Weinberg, one of the leading figures in the UK life industry, is to chair a new company with £100m capital to acquire life companies, close them to new business and manage their existing funds.

The company is to be a joint venture with New York Life Worldwide, a subsidiary of the fourth largest life insurance company in the United States. It owns Windsor Life, which is already in this area of business in a smaller way, having acquired six life companies in the past ten years.

When the plan was origi-nally announced in November it was intended to link up with a bank or building society as a way into "bancassurance" the selling of financial products to bank or society customers through branch networks. This is now to be pursued sepa-

The main shareholders in the new company are St James's Place Capital, the investment company run by

Erith doubled

Erith, the southern building

materials group, yesterday

reported pre-tax profits more

than doubled from £523.000 to

£1.23m for the first six months

Mr Bryan Castledine, chair-

man and chief executive, said

the recovery in the new hous-

ing market had helped profits

growth. However, activity in

the home improvements mar-

ket remained flat. There was

also a first contribution from

eight branches acquired last

year.
They contributed 21.3m to

total turnover, which advanced 17 per cent to

240.6m (£33.5m). Earnings per

share improved to 1.88p

(0.75p) and the interim divi-

dend was increased from 0.35p

to £1.23m

midway



Sir Mark Weinberg: entering the closed fund business

Williams pleases with

acquisitions' progress

Sir Mark and Lord Rothschild, and New York Life, which is to transfer the closed fund business of Windsor Life.

Each will have a 30 per cent stake, while Scottish Amicable will subscribe £10m, with other institutions expected to contribute the remaining £30m.

Williams Holdings yesterday

announced its fifth acquisition

in a year and also told institu-

tional investors that five

recent purchases had improved

their profits contribution by an

estimated £13m since joining

Silvani, an Italian fire protec-

tion group, is being acquired for £16.5m. Mr Roger Carr,

chief executive of Williams

said Silvani was "an essential

part of the jigsaw" in building

the group's fire protection operation into a global busi-

ness. It would add new prod-

ucts and markets, and provide

a solid base for further acquisi-

His comments came at an

institutional briefing, during

which Williams sought to set

By Peggy Hollinger

the group's stable.

tions in the sector.

Mr John Wybrew, the chairman of Windsor Life will be chief executive of the new company. He expected the first acquisition within the next six months or so.

itself apart from the ranks of

other diversified industrial

Mr Nigel Rudd, chairman,

said Williams had evolved into

a focused industrial manufac-

turing group, serving three sec-

tors - fire protection, security

The shares added 7p to 344p.

Mr Carr gave a progress

report on five recent acquisi-

tions in each of the divisions,

which together had cost £200m

and had returned profits of

£19m. After reorganisation, at

nesses were generating an esti-

mated £32m. "And there are

further benefits to come in

The charges for Solvay

Woodcare, purchased for £84m

in July, would be slightly

higher than expected at £6m.

1996," said Mr Carr.

a total cost of £16m, the busi-

and building products.

sis by Bacon & Woodrow, the actuaries, suggested that within a decade 40 per cent of life insurers would be strug-He thought small and medium-sized mutually-owned insurers would be most vulnergling to remain open.

#### Development Secs returns to dividend list

able, since they would suffer from their lack of access to

capital. The position of UK

subsidiaries of foreign compa-

nies which have failed to

achieve critical mass was also

is known in the life insurance

sector as "vulture life" because

it depends on picking up life

companies which cannot sur-

vive on their own, and living

off the business they have

already acquired. Combining

the investments managed by

separate companies should

Rising costs of meeting regu-

latory standards in selling

financial products against a

background of intensifying

competition have led many life

insurers to believe that the

number of life companies open

to new business will sharply

Earlier this week, an analy-

fall over the next few years.

bring cost savings.

The plan is a version of what

Development Securities, the property group, reported a pre-tax profit of film profit for the six months to June 30 following its return to profit in the second half of the previous year. Last year's interim loss was £2.6m.

It is returning to the dividend list after four years with an interim payment of 0.1p from earnings per share of 0.4p (7.8p losses).

Turnover fell 37 per cent to £9.7m. However, last year's £15.5m included £12.1m from discontinued operations. Operating profits were £3.1m (£500,000 losses).

Net assets at the end of the period were £82.2m, or 28.3p per share, compared with £8.1m, or 23.1p per share, a year earlier.

# help lift Adwest 21%

Acquisitions and a sharp rise in profits from its autor side enabled Adwest, which also has power systems and property divisions, to report a 21 per cent pre-tax advance for the year to June 30.

Group profits rose to £11.4m (£9.42m) on turnover up by £10.6m to £147.9m. Howe without the input from the five companies acquired in the year - which contributed profits of £1.44m on turnover of £10.6m - group operating profits would have failen to

£9.73m (£10.5m).

Operating profits on the automotive side grew 45 per cent to £5.04m on turnover up 10 per cent to £91.4m, while nower systems fell 19 per cent to £3.14m on turnover up 5 per cent at 253.5m. Property profits slipped 6 per cent to £3m. On why automotive had swang from profits 11 per cent lower in the first half to 45 per

cent ahead in the second, Mr Graham Menzies, chief executive, explained that France in the first six months had been "grotty"; by the end of the year it became "super". Some £42m of turnover is in France. The automotive acquisitions chipped in £580,000 and in the first half the group had paid £350,000 due diligence costs

for companies it did not buy. On the positive side, the success of the Land Rover Discovery helped lift sales and improve margins and the thermostats business performed well. The Roussean jacks business had doubled turnover to £10m since acquisition.

Slippage in defence demand lay behind the power systems fall. At the £22.2m rights issue in September 1993, defence accounted for more than 50 per cent of power systems turnover. The acquisitions had

cut that to under 30 per cent. The property side would be retained, though not developed - it helped pay the dividends, Mr Menzies said. A final of 5.4p (5.2p) lifts the total to 7.5p (7.2p), payable from earnings of 10.4p (10.5p).

# Acquisitions Frogmore shares up 25p as net assets rise 26%

Correspondent

Frogmore Estates yesterday surprised the stock market with a 26 per cent rise in net assets for the year to June 30. Shares rose 25p to 444p in response to figures which also showed a 54 per cent rise in pre-tax profits to £16.4m.

The company spent £40m on acquisitions during the year, bringing total expenditure to £155m since March 1992. Much of this was on retail properties. which now account for 25 per

cent of its property assets.

Mr Phillip Davies, managing director, said the company's retail properties had shown especially good capital growth over the year. "We have been very deliberate in our acquisitions, always looking for an angle rather than just picking up income-producing assets. he said.

Frogmore also has a £115m portfolio of trading properties, which are held for short-term gain and carried in the balance

sheet at the lower of cost or market value.

Investment in housebuilding joint ventures increased by £10m to £38m during the year and residential trading property assets now amount to SAIm. Mr Davies said the residential assets would be sold this year following refurbishment, although this should contribute to trading profits.

Frogmore also plans to sell

around 600 new homes this

year, against 689. Net rental income rose from £16.9m to £20.1m during the year, reflecting rents from acquired properties and additional lettings. Around \$2.2m annual income has been lost following early surrender of the lease on 180,000 sq ft of office space in High Holborn for £7m cash. The site is being considered for redevelopment.

Housebuilding contributed a gross profit £4.6m against 23.1m last year, After a loss on sales of trading properties of £929,000 (£193,000 profit) and

£3.5m (£3m), operating profit for the year increased from

£15.6m to £20.4m. Net interest charges were higher at £5.6m (£5.1m) and taxation lower at £1.7m (£2.4m) following the release of Cam provisions. Earnings per share were 29.8p (21.1p). The final dividend is 13.2p (12.4p), making a total of 17p for the year.

#### COMMENT

Yesterday's pleasing increase in net assets will consolidate Frogmore's reputation as one of the canniest companies in the sector. A June year-end meant that yesterday's figures included the best of the rise in commercial property values, but the company has outper-formed the wider market. The acquisitions made over the last two years look well-timed. Even if the property market has gone off the boil. Frogmore's large portfolio of trading properties and interests in housebuilding add spice to the earnings mix. Yesterday's rise in the shares is fully justified.

# Quality Software makes strong advance to £604,000

By Alan Cane

Quality Software Products' shares rose 10p to 391p yesterday, as the Gateshead-based accounting software developer more than quadrupled pre-tax profits from £143,000 to £604,000 in the first half of 1994.

The results will be welcomed by investors concerned about the health of the computing services sector in the wake of a series of disappointing results from other companies, especially in financial software.

It also suggests that QSP is on track with Universal OLAS, a large-scale accounting package which has cost the company about £16m to develop over the past six years. It has now sold the package

to 19 clients at an average

Turnover rose 10 per cent to £7.27m (£6.61m). Earnings per

share increased from 2.1p to 7.2p and an interim dividend of 1p is declared. Gearing has been reduced to 21 per cent from 32 per cent. The company has continued to invest heavily in Universal

OLAS with £2.3m committed last year. The product, a modular system which runs on a broad range of computing hardware and software, is now virtually complete and new developments have been initiated to create support for executive decision making and

group working. Mr Alan Mordain, chairman, said that good progress had been made in increasing sales of products and services,

obtaining reference sites.

QSP's US partner, Global Software, has made its first sale of Universal OLAS to Avis in New York. It is expected that further partners will be announced within 12 months.

#### Dyson acquisition

As part of its diversification into ceramics and refractories, J&J Dyson has acquired Norton of Stoke-on-Trent's Gimson secondary kiln furniture and

chimney liner business.

The business, which is expected to make annual profits of about £250,000, has been bought through its subsidiary, Dyson Industries, at a cost of

#### **CONTRACTS & TENDERS**

#### **ADVICE OF TENDER BY ABSTRACTS**

ENEA - The Italian National Agency for New Technology, Energy and the Environment - with its head office in Viale Regina Margherita, 125 - 00198 Rome - telephone +39/6/85281 - cable ENEA-ROME, telex number 610183 - telefax number 85282777, calls a tender by public auction to provide the service of subscription to foreign periodical publications for the years 1995-1996-1997, excluding the services of receipt and control. ENEA has the authority of cancellation.

Award: art. 16 paragraph 1 letter a) decree law number 358/92.

Estimated amount: 2.2 billion lira a year. The bid has to be drawn up compulsorily in the Italian language and sent exclusively in a registered envelope to ENEA - Unità Coordinamento Procedure di Gara - Viale Regina Margherita, 125 -00198 Rome within 12.00 pm (under pain of exclusion) on the 14th November 1994.

Bids will be opened starting from the 16th November 1994 at 9.30 am at the ENEA Head Office.

Deposit: it amounts to 66,000,000 lira as envisaged by the law 10.6.1982 number 348. In case of a stand-by or insurance letter of credit, it won't be possible to benefit from the preliminary examination. The deposit will be returned after the award of the tender.

The list of the documentation needed, the necessary requisites and the formalities which have to be observed (under pain of exclusion), are indicated in the unabridged edition of the call for bids appeared in the Gazette of the Italian Republic, section II dated 29.9.1994 N. 228.

The call for bids was sent to the Office EC-Official Publications on the 23rd September 1994 which received it on same date.

Specific technical news, ENEA general specification contract and procedures to enter the bid can be requested from ENEA - Unità Coordinamento Procedure di Gara -Viale Regina Margherita, 125 - 00198 Rome, from Monday to Friday (9.00 am - 4.00 pm) and not later than 4.00 pm on the 26th October 1994.

#### TAIWAN SUPPLY BUREAU TENDER ANNOUNCEMENT

Buyer: TAIWAN RAILWAY ADMINISTRATION (TRA) Purchasing Agent: TAIWAN SUPPLY BUREAU (TSB) 3, Kai Feng Street, 1st Sec, Taipei, Taiwan R.O.C. Tel: (02) 3110814 Fax: (02) 3610995

·	<u>`</u>	<u>`</u>	
INVITATION NO.	TENDER OPENING DATE	DESCRIPTION OF SUPPLIES	Q'TY/UNT/CAR
TSB-9432-130(1)	9:30am Nov 8 1994	i. Diesel Multiple Unit (DMU) ii. Diesel Railcar (DRC)	10 Units (30 Cars) 36 cars

For further details, please refer to the Tender Invitation. The Tender Invitation is waiting to be taken back (fee US\$340) and welcome to participate.

# THE PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/ travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment,

The theme for the 1995 prize, worth not less than £3,000, is: DOES FREE TRADE THREATEN THE ENVIRONMENT?

Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

#### **CLOSING DATE JANUARY 6 1995**

APPLICATIONS TO: ROBIN PAULEY, MANAGING EDITOR THE FINANCIAL TIMES (L) NUMBER ONE SOUTHWARK BRIDGE LONDON SE1 9HL



#### **COMPANY NEWS:** UK AND IRELAND

# Beazer sales rise helps lift shares 6% war's chairman, said yesterday: marginally to 13.3 (13.6 per cent).

The share price of Beazer Homes rose by more than per cent to 131p after Britain's fourth largest housebuilder announced that sales had risen by a fifth since July 1 and had not been dented by the recent rise in interest

The company also announced better than expec-The ted pre-tax profits of £33.9m for the nine months to June 30. This compared with £37.8m for the 12 months to the end of September 1993

The City had been concerned that the rise of half a percentage point in interest, rates might have upset the housing market recovery following comments by Tarmac on Tues-day that net reservations had

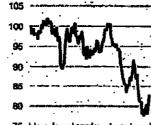
Mr Dennis Webb, Beazer's chief executive said: "We have seen no sign of a dip since interest rates increased and volume sales are up by 20 per cent since June, compared with the corresponding 12 weeks last year."

The company is selling comes from 40 more sites than at the same stage last year fol-lowing its £31m purchase of John Mowlem's housebuilding

Other large housebuilders yesterday agreed that sales had not fallen since interest rates rose on September 12, although some said that the traditional autumn surge had been more muted than expec-

Tarmac, the country's sec-ond biggest housebuilder, had

Share price relative to the FT-SE-A All-Share index



said that its net reservations, after allowing for cancella-tions, had fallen to between 50 between 100 and 150 before the interest rate rise.

Mr Victor Benjamin, Bea-

of 5.53p will be paid, 6.5 per cent ahead of the previous 5.19p. Cash balances were

£4.3m at the end of the year.

MR-Data, which operates in the UK and US, provides a

range of bureau services

including large-scale laser

printing, computer output on microfilm and document scan-

It also markets software for

ning and transcription.

While it is too early to evaluate the outcome of the recent interest rate increase. We believe that in the current market it is uncertainty over interest rates rather than the actual rates which unsettles

"A further modest rate rise should not impact on sales, so long as the national recovery is maintained. Beazer, which was floated

consumer confidence.

earlier this year by Hanson, is paying a final net dividend of 1.80 - which it says equates to 5.4p for a full year. Earnings per share of 9.5p were equivalent to 12.7p for 12 months. The company sold 4,015 homes over the nine months. at an average of £62,000 after sales incentives, against 4,805 homes sold in the previous 12

free-form text retrieval.

Mr Mike Elliott, chief execu-

tive, said restructuring charges

had hit profits at the document

image processing division, which made a £480,000 loss.

Both the document filming and

were now trading on an appro-

ny's Memex information

Three orders for the compa-

the map scanning busine

priate cost base, he said.

marginally to 13.3 per cent (13.6 per cent).

The market had under-esti-

after the Mowlem purchase, is a very healthy position. Pre-tax on a prospective p/e of just over 9, which still looks cheap. Longer term there must be some concern about what a volume housebuilder does when the market eventually decision to reduce the proportion of capital employed in UK

retrieval software had been

delayed. One, for the National Criminal Intelligence Service,

had now been secured; the

other two were expected to be

concluded in the first half of

The group is exploring

moves into CD-ROM as an

extension of its computer out-

put on microfilm (COM) busi-

ness in the UK and US.

the current year.

mated the strength of Beazer's performance, hence yesterday's bounce in the share price. Margins in particular have held up better than the company forecast when it was floated. A strong balance sheet, with about 260m of cash in hand profits of £56m puts the group

COMMENT

Falling whisky prices cut profits in half at Burn Stewart Distillers in the year to July 3. Pre-tax profits fell from £8.12m to £4.19m on sales ahead from £38m to £40.6m. Mr Bill Thornton, chairman,

Substantial changes bad

been made in company strategy, with the focus on whisky bottled in Scotland. Cased sales in the UK and export

By John McManus in Dublin

Aer Lingus, the Irish Republic's national

airline, has put Team Aer Lingus, its aircraft

maintenance subsidiary, into examinership, the

The appointment of an examiner to the com-

pany which employs 1,800 people, 1,200 of whom have been laid off already, follows the

breakdown of negotiations between manage-

Team Aer Lingus provides line maintenance

for the Aer Lingus fleet but the bulk of its

ment and trade unions on restructuring.

equivalent of administration under Irish law.

By David Blackwell

ahead by volume, and the company no longer depended on bulk sales or a small group of

Burn Stewart to £4.2m

Falling whisky prices cut

"If they had sold at our 1991 bottled-in-Scotland prices profits would be at record levels," said Mr Thornton.

lescribed the year as "the most Of total sales by volume, testing in the company's short history" following intense comonly 18 per cent was accounted for by bulk exports - an area petition in the value-for-money where the company feels reluctant to compete because of "Price pressure is doing seriintense price competition.

ous damage to our profitabil-Bottled-in-Scotland sales accounted for the rest, with 48 per cent going to own label customers and 34 per cent branded. While the overall reduction in average cased prices was 2 per cent, this con-

Examiner for Aer Lingus arm

markets were 43 per cent cealed a cut of 11 per cent in own label prices.
Mr Thornton said there was

a growing realisation that price discounting could not go on forever, and he expected an improvement next year. Operating profits fell from £9.66m to £5.79m, reflecting

increased costs of £34.8m (£28.3m) following investments in sales and marketing. The pre-tax figure included a gain of £298,000 from a dis posal. Interest payable rose

from £1.54m to £1.9m. Earnings per share fell from 9.53p to 5.20p.
The total dividend for the

year is maintained at 5p, of 3.3p.

business comes from aircraft overhau! work for

other airlines. The dispute is over the introduc

Team has accumulated losses of almost

I£58.5m (£57.8m) and a deficit in its balance

sheet of I£18.3m. The failure of the examiner

ship process would almost certainly result in its liquidation leading to the calling in of

1£22.8m of loans to Team guaranteed by Aer

The examiner has three weeks in which to report to the Irish high court on whether he

Lingus. Team also owes IE41.6m to its parent.

believes a survival plan can be worked out.

tion of new work practices

# MR-Data Management at £6.35m as orders slide

in are make

ICE to Solly

Pre-tax profits at MR-Data Management Group fell 27 per cent for the year to June 30, from £8.76m to £6.35m, because of order slippage and higher than expected restructuring

The group had issued a warning in July which resulted in a 19 per cent fall in the

**FW Thorpe** 

rises 51%

to £2.51m

FW Thorpe's pre-tax profits for

the year ended June 30 rose

from £1.66m to £2.51m, an

increase of 51 per cent. Turnover at the electronic and electrical equipment company was

21 per cent ahead at £19.5m

to 13.7p (8.6p). The proposed

final dividend is 2.2p (1.87p) for

a 3.2p (2.67p) total.

share price, yesterday the shares rose 6p to 135p. Mr John Redmond, chairman, said: "The effects of our

reorganisation are complete and we are now in a stronger position to market our bustness services in the area of information manag

Turnover was flat at £40.52m (£40.79m). Earnings per share were 8p (10.6p) and a dividend

USM-quoted company rose 36 per cent to £4.52m, against £3.32m. At the end of the period the number of beds in operation and under develop-

Shares of DCS increased by 13

Turnover in the 12 months to Kier grows to £6.8m Kier, the housing and construction group bought by its employees from Hanson in three months.

July 1992, announced pre-tax profits up from £5.6m to £6.8m £426,144 (£231,406) and the comfor the year to June 30. Turnover of continuing operations slipped to £500.2m payment of 0.5p. (£512.2m). Earnings improved

remaining 10 per cent of ordinary and preference shares was bought out for £8m.

During the year Hanson's

Quayle Mumro rises Quayle Munro Holdings, the financial services group, reported pre-tax profits of £670,000 for the year to June 30 against £540,000 for the previous 10 months.

Revenues more than doubled to £1.81m (£804,000). Earnings per share worked through at 11.78p (3.71p) and a proposed final dividend of 6p (3p) raises the total to 9p (6p). Net asset value per share rose by 48 per cent over the year to 234p (158p).

Baillie Giff Japan

Baillie Gifford Japan Trust saw its net asset value fall by 3.3 per cent from 792.8p to 767.4p over the year to August 31. Net losses for the 12 months to the end of August were £388,886 (£168,892) for losses per share of 3.54p (1.54p).

Reflex in the red

Reflex Group, the Dublin-listed software and computing services company, reported interim pre-tax losses of i£1.22m (£1.2m) at June 30. The

figure compares with profits of 16316,000 last year.

The loss includes an exceptional cost of 16313,000 incurred with the group's withdrawal of a number of unwanted by a num a number of unprofitable software products from the market. A further I£220,000 in costs related to the closure of the operation.

Losses per share were 6.1p (1.7p earnings). There is no dividend.

Global ahead

Global Group, the USM-quoted meat trading and shipping services company, reported pre-tax profits ahead at £715,000 for the six months to June 30, against £678,000. Turnover was up from £40.6m to £41m.

Earnings per share were static at 0.38p (0.37p) and the interim dividend is unchanged

Greenacre up 10% Greenacre Group, the nursing

home operator, reported pre-tax profits for the six months to July 31 up 10 per cent from £794,000 to £873,000.

The figure was after increased net interest payable

of £165,000, against £45,000. Turnover for this

ment totalled 623 (575).

Barnings per share were 0.35p (0.32p) and the interim dividend is raised to 0.16p

DCS jumps to £0.4m

per cent to 68p after the computer software supplier reported an 84 per cent advance in profits and a return to dividends.

June 30 rose to £6.38m (£5.55m) including £562,000 from two acquisitions made in the final Pre-tax profits jumped to

pany returned to the dividend list after an absence of five years with a recommended 4.32p (2.69p).

Regent Inns 73% up Regent Inns, the pubs and restaurants operator which came to the market in April 1993, announced a 73 per cent increase in pre-tax profits from

£1.34m to £2.31m in the year to July 2 Turnover advanced to £15.3m

through at 13.1p (10.5p) and a proposed final dividend of 3.65p (2.25p) makes a total of 5.4p (2.25p).

**Brightstone Props** Brightstone Properties, the commercial property investment and management company, yesterday announced its first results since it gained a

listing on March 24. In the 14 weeks to June 30 net property income came to £327,793. Net interest took £117,100, after which pre-tax profit amounted to £106,264. An interim dividend of 1p has been declared from earn-

Filtronic prospectus

The pathfinder prospectus has been published for Filtronic Comtek, a manufacturer of sophisticated micro-components for the mobile telecommunications industry, which is coming to the market next

The prospectus is expected to be published on October 18 when the shares will be priced, with dealing commencing on October 24. The float, which is expected to carry a market capundertaken through a private placing that will aim to raise £25m, of which £14m will be new money.

**HCG Lloyd's Trust** HCG Lloyd's Investment Trust,

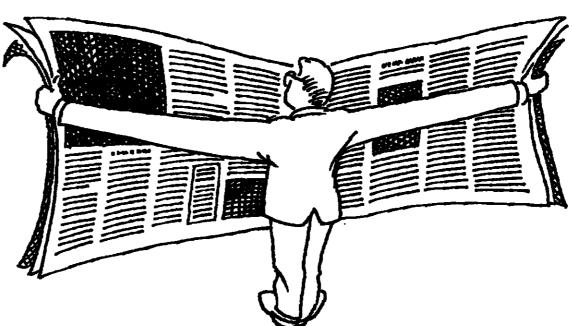
which was floated in December ast year as a vehicle for limited liability investment at Lloyd's, announced a net asset value of 89p per share as at the June 30 half-year end. Total net assets stood at

£57.9m on June 30 against 266.1m on December 31.

At August 31, the date used by Lloyd's for revaluation, the value of the portfolios had increased to £58.9m, giving a net asset value per share of

Net revenue was 2658.000. to give earnings per share of 1.01p.

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Country		PART OF THE FINANCIAL TIMES GROU



By Kenneth Gooding. Mining Correspondent

Norilsk, the world's biggest nickel producer, could not afford to renovate its Pechenga smelter, one of the world's biggest polluters, in Russia's Murmansk region, near the Finnish border, Mr Mars Altibaev, logistics manager and the company's representative in London, said yesterday.

He said that was the main reason Norilsk, still 48 per cent owned by the Russian government, was seeking foreign investment.

The company has retained a Scandinavian consortium including Elkem and Kvarner Engineering of Norway and Boliden of Sweden to carry out the Pechenga reconstruction. which Mr Altibaev said would cost a minimum of US\$200m and up to \$1.5bn, depending on what investment the company

Pechenga spews out about

284,000 tonnes of sulphur dioxide a year. Some falls on the nearby town of Nikel but prevailing winds take twothirds across Finland and Norway where the acid rain it causes has severely damaged

Western observers suggest that the smelter, established in the 1930s and renovated in the 1940s, has only a few years of life left. Pechenga produces about 100,000 tonnes a year of nickel in matte (an intermediate material), which is sent to Montshegorsk for refining.

Mr Altibaev said Norilsk was suffering from cash flow difficulties because the central government took half the nickel output and paid in roubles at the domestic price - 47 per cent below world prices. The government also kept most of the income from its platinum group metals sales. The company's inability to pay on time had caused strikes in the May to August period when employdays. However, management had reached a compromise agreement with the trade unions that should prevent future strikes.

Norilsk claims, in documents prepared for presentations to London financial institutions today, to account for 21.2 per cent of world nickel output; 3.2 per cent of copper production; 18.9 per cent of cobalt and 42 per cent of platinum produc-

Mr Altibaev said Russian nickel exports to the west would be about 100,000 to 105,000 tonnes this year, similar to 1993 levels. If nickel prices rose, shipments would increase next year. He indicated that Norilsk's copper production, once about 400,000 tonnes, would be less than 300,000 tonnes this year of which up to 100,000 would be exported. He would not comment on platinum or cobalt production and exports.

#### Sugar deficit put at 1.8m tonnes

By Deborah Hargreaves

The world is expected to face another deficit year in sugar supplies after a worsening in prospects for this year's crop. according to the latest report by E.D. & F. Man, the UK commodities house. Sugar produc-tion is forecast to be 110.7m tonnes for the next crop year (1994-1995) leaving a shortfall

stocks in the current crop year when production of 109.03m tonnes led to a deficit of 2.3m tonnes. The two deficit years come after 12 years' of production surpluses with supply tightness already pushing prices higher.

tight after the unloading of

A poor sugar crop in China and crop difficulties in Cuba combined with India's desire to increase imports and rebuild World supplies are already stocks could all contribute

towards pushing prices higher. Man expects India's output to reach 11.6m tonnes with consumption at 12.1m tonnes, leading to imports for next year at similar levels to this year. China's cane crop has been

badly damaged by flooding this vear and stocks are dwindling Man's estimate for Cuba's crop next year is 3.5m tonnes -500,000 tonnes below this season's level pushing the country out of the top ten producers.

#### Australian wool prices nosedive

Australian wool prices nosedived at sales this week after soaring since the start of the 1994-95 season, reports Reuters from Sydney. But industry officials said the mar-

ket remained well supported. The newly reweighted eastern Australian market indicator had soared to an end-week

COMMODITIES PRICES

high of 829 cents a kilogram (clean) from 681 cents at the start of the current wool season on July 1, before slipping slightly last week to close at 808 cents.

But at the Newcastle and Melbourne auctions this week the indicator fell by 37 cents to 771 cents on Tuesday, and traders were expecting further retrenchment as the market entered its period of peak offer-

This is the correction everyone has been waiting for as the market has been rising so quickly," suggested Mr Peter Klein, assistant director of the Wool Council of Australia.

# Monarch

opens Venezuelan gold mine

By Joseph Mann in Caracas

Monarch Resources. company registered Bermuda, has opened the first underground gold mine to be developed in Venezuela for five decades.

The company, whose shares are traded on the London and Toronto stock exchanges, invested about US\$25m in the new mine, called La Camorra, located in Bolivar state.

It expects La Camorra to produce around 220kg (7,070 troy ounces) of gold a month. Reserves of ore at the mine site are estimated at 540,000 tonnes with a gold content averaging 22 grams a tonne, according to company offi-

Exploration at the site began in 1988 and construction in 1992.

total of \$80m in gold operations in Venezuela since

At the same time, Canada's Placer Dome, which has identified sizeable gold reserves at another site in Bolivar state. Las Cristinas. announced in Vancouver that it was raising its estimate of gold resources at the property from 7.7m troy ounces to 8.6m. The Canadian company is studying the development of an open pit mine at Las Cristinas, which could yield about 6m ounces of gold.

International companies have expressed considerable interest in Venezuela's gold mining potential. However, potential investors complain about an outdated law covering the mining sector and about controls on foreign exchange activities established in June of this year.

Before exchange controls were imposed, a private Venezuelan gold mining association estimated that investment in gold exploration and mining could reach \$142m this

# Taiwanese cast their nets wider

Pollution and overfishing has hit local catches, writes Laura Tyson

ishmongers at Keelung port's bustling fish mar-ket hawk scaly wares ranging from imported Norwegian salmon to Pacific tuna and squid caught off the Falkland islands.

Pollution and overfishing of nearby waters has forced Taiwanese fishermen to scour ever more distant shores. The catch of neighbouring China nearly tripled from 1981 to 1990 to become the world's biggest fisheries producer.

Taiwan will soon sign an accord with the 15-nation South Pacific Forum allowing its fishermen uniform access to waters controlled by those countries, according to the country's ministerial-level Council of Agriculture. The South Pacific is an important fishing ground for Taiwan, especially for tuna and skip-

Forum members are Australia, New Zealand, Papua New Guinea, Western Samoa, Fiji, Vanuatu, Kiribati, the Marshall Islands, the Cook Islands, Tonga, Tuvalu, Nauru, Nine Island the Solomon Islands and the Federated States of Micronesia.

Since the United Nations

In 1989 the quasi-governmen-tal Overseas Fisheries Development Council was set up to negotiate fishing rights and help settle an escalating number of fishing disputes. The government has already secured fishing rights within the 200-mile coastal zones of

have diplomatic ties.

switched recognition from

Taipei to Beijing in 1971,

Taiwan has encountered diffi-

culties in securing fishing

grounds, especially from coun-

tries with which it does not

which Taiwan maintains diplomatic relations. Commercial fishing agreements have so far been reached with over 20 countries or territories, of which those with Indonesia, India and the Falkland Islands are the most important. Talks are under way with several other countries including Vietnam and

South Africa, Tuvalu, Tonga,

Solomon Islands and Marshall

Islands, all countries with

Although Taiwan does not appear in statistics compiled by the United Nations' Food and Agriculture Organisation, it ranked the 18th among fishing nations in 1990, and falls tion of both tuna and squid. Government efforts to curb growth in the domestic fishing industry cut the total catch to 1.317m tonnes in 1991 from a 1990 peak of 1.455m. But production has risen since.

Taiwan, a major fish exporter, sold just over a quarter of its catch overseas in 1993. Tuna dominated exports and the biggest markets were Japan, Thailand and the US.

ish imports have grown to meet increased domestic consumption resulting from economic growth. Official figures show that Taiwan's imports more than doubled over the past decade. Unofficial imports from China are also on the rise. Taiwanese fishermen either pick up their illicit cargo from Chinese ports or buy the fish from se boats at sea and smuggle it into ports such as Kee-

with nearby waters depleted. nearly 60 per cent of the 1993 catch came from distant seas. Tuna caught in distant seas through long-lining jumped 80 per cent in 1993 from 1992. Last year's catch of sould, caught

within the top five in produc- by a type of hook-and-line method called zigging, climbed 22 per cent. The two species combined comprised one-third of the total catch last year. Despite Taiwan's pariah dip-

lomatic status, which prevents it from joining international organisations, the government generally complies with international maritime and fishing conventions. For instance, it banned whaling in 1983 and in 1993, it outlawed drift net fishing following a United Nations resolution against the practice.
As competition grows flercer

for fewer fish, Taiwanese fishing boats have encountered numerous disputes over fishing grounds from the South China Sea to the South Atlan-

.

Recognising the problems of overfishing, the government in 1989 instituted a policy of try-ing to contain growth of the fishing industry. Through restrictions on boat-building and a boat buyback programme Taiwan's fleet was cut to 28,880 vessels last year from peak of 32,340 in 1990. But remaining boats and those which are being built are more sophisticated and thus have a higher catching capacity.

MARKET REPORT

#### Gold traders discount Russian export move

A headline indicating that it could get, and gold was one Russia intended to stop export- source, while it would take Russia intended to stop exporting GOLD sent the precious metal briefly to \$400 a troy ounce yesterday. Once dealers read the accompanying story, the price swiftly dropped back to close in London at \$395.50,

up 10 cents. Mr Valery Skripchenko, head of the scientific and technical department at Russia's Precious Metals Committee, said: We will set up a mechanism before the end of the year under which it will be unprofitable to sell gold abroad but it will pay to sell it all domestically"

Analysts argued that Russia needed all the foreign currency

many years to develop a domestic gold market. Also Russia had not been a substantial seller of gold in the west this year, Mr Skripchenko said that Russia exported 6.6 tonnes of sold in the first five months of 1994 compared with 21 tonnes in the same months last

Substantial selling was seen when gold reached \$398, dealers said. One analyst suggested that it was significant that gold could not hold on to a move through \$400 despite the apparently bullish news from

At the London Metal

Exchange most base metals ended the day on a firmer footing following sprees of speculative buying and short-covering. The three months delivery COPPER price briefly hit a high of \$2,578 a tonne but did not have enough upside momentum to trigger stop-loss nuving orders hovering just above that level, dealers said. It ended the day trading at \$2,564 per tonne, up from Tues-

day's \$2,558 close. Early Japanese buying and news that power to Alcoa's Portland smelter in Victoria, Australia, would be trimmed and could restrain production helped to undergin the ALU-MINIUM market. The invest-

ing that encouraged took the three months price to a high of \$1,632 a tonne; but it slipped back to end at \$1,675, up \$13. London Commodity Exchange COFFEE futures ended weaker but off lows in sleepy London trade as many investors retreated to the sidelines for lack of news, traders

ment fund and consumer buy

"The market is looking to stabilise around current levels." said one dealer, adding that it did not want to stray too far below \$4,000 a tonne because of the continuing uncertainty about Brazil's Compiled from Reuters

CROSSWORD

BASE METALS	Precious Metals continued	GRAINS AND OIL SEEDS	SOFTS	MEAT AND LIVESTOCK	No.8,571 Set by ALAUN
LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)	BI GOLD COMEX (100 Troy az.; S/troy az.) Set: Bay's Open	NE WHEAT LCE (E per tonne) Sett Bay's Open	MI COCOA LCE (S/torne) Set Day's Open	ELIVE CATTLE CME (40,000lbs; cents/bs) Set: Day's Open	
M ALURGINRUM, 99.7 PURITY (\$ per tonne)  Cash 3 mitte	price change High low let YeL Sep 394.5 -3.5 - 30 -	price classics High Low let Vol. Nov 108.35 - 108.70 108.35 2.479 67	parice change High Low Int Vol. Sup 963 -1 963 952 5 3	price change High Law let Vol. Oct 98.600 -0.550 66.500 66.500 23,422 6.508	
Close 1606-7 1631.5-32.0 Previous 1583-84 1807-8	Oct 394.5 -3.6 398.6 394.4 4,397 1,001 Nov 396.1 -3.6	Jan 198.60 - 199.00 198.50 1,528 42 Mar 110.70 +0.15 111.00 110.55 1,223 77 Mary 112.75 +0.15 113.00 112.75 1,368 20	Dec 992 -5 1002 991 27,401 1,113 Mar 1024 -5 1034 1023 38,318 510 May 1038 -5 1045 1036 12,908 152	Dec 88.025 -0.675 69.100 67.975 21.321 2,747 Feb 67.375 -0.275 67.975 67.300 14,048 1,309 Aur 68.675 -0.425 89.290 88.600 9.549 447	
High/low 1602 1632/1613 AM Official 1901.5-2.0 1625-26	Feb 401.2 -3.5 405.0 401.0 19,489 4,462 Apr 404.7 -3.5 408.0 405.0 7,440 921	July 114.70 +0.10 115.00 114.70 243 5	Jal 1047 -8 1055 1047 5,834 25 Sep 1061 -8 1073 1061 9,339 36	Jun: 65.700 -0.308 66.200 95.700 2.063 75 Aug: 65.450 0.225 65.700 65.375 1,079 21	
Kerb dase 1627.5-28 Open Int. 252,335	Total 184,997 51,139 18 PLATENIUM NYMEX (50 Troy oz.; \$/troy oz.)	WHEAT CST (5,000bu min; cents/80tb bushet)	Total 103,939 2,076  ■ COCOA CSCE (10 tonnes: S/tonnes)	Total 71,414 11,100 E LIVE HOGS CME (40,000tos; cents/fbs)	12
Total delly turnover 41,839  IL ALLIMENTUM ALLOY (S per tonne)	Oct 417.9 -1.5 421.0 417.5 5,440 2,678 Jan 421.9 -2.4 425.9 421.5 14,583 2,816	Dec 388/6 -2/4 390/4 385/4 47,884 8,737  Mar 397/6 -1/2 398/4 393/2 19,304 2,066  Mary 384/2 -1/6 385/0 380/4 2,643 396	Dec 1341 -8 1377 1340 41,287 3,715 8Lar 1383 -7 1425 1392 15,876 978	Oct 36.900 -0.375 37.350 36.850 7,883 1,676 Occ 37.275 -0.575 37.850 37.125 12.782 2,155	
Ciose 1655-65 1675-80 Previous 1845-50 1680-61	Apr 425.1 -2.4 429.0 425.1 2.491 161 Jul 428.6 -2.4 432.5 428.6 473 6	Juli 3544 -2/0 355/0 351/4 4,939 1,147 Sec 357/4 -1/4 355/0 355/4 104 5	May 1423 -7 1452 1427 5,511 532 Jul 1451 -7 1480 1457 2,681 23	Feb 37.775 -0.850 38.875 37.700 4.438 872 Apr 38.125 -0.825 38.700 38.100 2.725 384	100
High/low 1875/1870 AM Official 1845-55 1895-70	Oct 431.3 -2.4 - 329 - Total 25,726 5,658	Dec 366/0 -1/4 84 5 Total 74,962 12,348	Sep 1478 -7 1,304 - Dec 1805 -8 1523 1519 4,915 5	Jun 43.375 -0.650 44.000 43.250 1,062 227 Aug 42.275 -0.550 42.850 42.275 135 37	17 18 19
Kerb close 1670-5 Open Int. 3,123 Total daily turnover 503	IN PALLADIUM NYMEX (100 Troy oz.; S/troy oz.)  See 155.10 25 20	MAIZE CST (5,000 bu mist; cents/56tb bushel)  Dec 214/6 -1/0 215/4 214/4 135,703 16,590	Total 75,271 5,253 ■ COCOA (CCC) (SDR's/tonne)	Total 29,192 5,382 SP PORIK BELLIES CASE (40,000lbs; cents/fbs)	
III LEAD (\$ per tonne)	Dec 154.66 -1.20 155.65 154.25 4,870 7:6 Mar 165.65 -1.20 156.75 155.65 1,234 362	Mar 224/6 -1/0 225/4 224/4 43,026 4,726 May 232/4 -0/4 233/0 232/0 17,377 1,111	Sep 27 Price Pres. day Delty1025.85 1025.11	Feb 38.125 +0.025 39.800 38.700 7,757 721 Mar 39.150 -0.050 38.800 38.900 661 121	22 23 25 25 25 25 25 25 25 25 25 25 25 25 25
Ciose 632-33 646-47 Previous 618-19 632,5-33.0 High/low 628 646/633	Jan. 156.75 -1.20 152 1 Total 6,282 1,099	Jul 237/0 -0/6 237/6 238/8 18,090 2,385 Sep 240/6 -0/4 241/4 240/6 1,212 168	COFFEE LCE (\$/tonne)	May 40.150 +0.050 40.650 40.150 161 5 Jul 40.600 -0.100 41.500 40.600 201 17 Ann 38.650 - 38.650 38.500 46 2	
High/low 628 646/633 AM Official 627.5-26.0 643-43.5 Kento close 644-5	SILVER COMEX (100 Troy oz.; Cents/troy oz.)  Bep 560.3 -10.9 570.0 560.3 142 74	Dec 244/6 -0/4 246/0 244/4 7,036 735 Total 222,843 25,865  B BARLEY LCE (2 per tonne)	Sap 4038 -125 4090 4050 1,112 97 Story 3961 -42 4005 3360 10,839 1,480	Ang 39.950 - 39.950 39.500 46 2 Total 8,626 886	
Open ks. 41,186 Total daily turnover 9,835	Oct 560.3 -12.2 - 6 - Nov 562.5 -11.0 - 92.495 17,659	Nov 103.80 +0.15 103.80 103.80 482 3	Jan 3946 -32 3965 3920 15,224 1,036 Mar 3862 -39 3880 3850 7,224 256		26
M. NICKEL (\$ per tonne)  Close 6445-55 6545-50	Dec 583.0 -11.0 575.0 583.0 44 3 Jen 567.5 -11.0 10,462 374 Mar 573.5 -11.0 583.5 571.0 4.518 85	Jan 105.75 +0.25 - 410 - Mar 108.00 +0.25 108.00 108.00 110 15 Blay 109.65 +0.40 - 48 -	May 3601 -46 3615 3796 2,324 83 Jaj 3765 -43 3780 3770 1,235 7 Tatal 32,861 2,961	LONDON TRADED OPTIONS Strike price \$ torace Celle Puts	
Previous 6380-85 6483-85 High/low 8550/6490	Total 179,612 18,245	Total 1,046 18  III SOYABEANS (BT 5,000b) mit; casts/60b tustes)	E COFFEE 'C' CSCE (37,500lbs; cents/lbs)	M ALLMENRUM (99.7%) LME Nov Feb Nov Feb	30 31
AM Official 6440-45 6540-41 Kerb close 6530-40 Open Int. 68,076		Nov 548/4 -5/6 553/0 548/4 78,086 17,528 Jan 558/4 -8/2 563/0 558/6 21,423 4,187	Dec 213.80 -6.15 221.85 212.60 21,963 8,465 Mer 217.50 -6.00 225.45 216.40 9,281 1,119 May 219.00 -6.00 228.50 219.00 3,549 145	1600 48 88 30 58 1625 36 77 42 71 1650 25 85 56 54	ACROSS 6 Uses as a base for attacks (4.4)
Total daily turnover 19,818	ENERGY  III CRUDE OIL NYMEX (42,000 US galls, \$/barrel)	Mer 568/4 -5/6 573/0 566/6 12,211 1,785 May 575/0 -6/0 580/6 573/4 6,016 380	Jul 219.25 -5.00 226.00 219.75 1,128 53 Sep 220.00 -5.75 225.16 220.00 518 100	1650	1 Take in the implications of 7 Was taken or became sick at the little book (6) mid-morning (6)
Close 5340-50 5425-30 Previous 5345-55 5430-35	Letwet Day's Open price change Nich Low let Yet	Jul 580/8 -8/0 585/0 5794 11,678 899 Aug 562/4 -5/2 586/0 581/0 266 - Tabal 134,286 24,838	Dec 221.25 -5.00 227.25 221.00 684 60 Total 37,183 9,932	2500 90 129 31 75 2550 61 103 51 98	4 Part of a human trunk and a 8 But backing her in - that's head found in the wood (8) where your difficulty lies (3.3)
High/low 5450/5410 AM Official 5360-70 5440-30	Nov 17.46 -0.07 17.54 17.37 86.961 36.178 Dec 17.61 -0.08 17.66 17.54 85,896 17.536	M SOYABEAN OIL CST (\$0,000fbs: cants/fb)	Sep 27 Price Pres. day	2800	9 They look black when one 11 Was a manager, too, though walks off angrily (6) an unsuccessful one (4-3)
Kerb close 5410-20 Open int. 16,593 Total daily turnover 14,190	\$\text{Sen}\$ 17.72 -0.05 17.78 17.66 43,343 5.425 \\ \text{Feb}\$ 17.82 +0.01 17.82 17.82 21,482 1,856 \\ \text{Mor}\$ 17.81 -0.04 17.82 17.77 17.348 1.812	Oct 25.51 -0.26 25.73 25.45 15.244 4,808 Occ 24.82 -0.31 24.83 24.93 38.024 5,713 Jan 24.31 -0.33 24.50 24.25 8.800 1.083	Comp. delly	3600 405 499 24 158 3650 368 468 32 172 3700 323 438 42 160	10 As against the overused 14 Agreed the tide of change had "sorry" (8) engulfed everybody (7)
ZINC, special high grade (\$ per tonne)  Close 1018-19 1042-43	Apr 17.54 +0.06 13.514 1,888 Total 382,200 71,238	Mar 24.00 -0.30 24.22 23.92 8.579 1,004 May 23.73 -0.28 23.95 23.70 5,854 691	Get 12.75 +0.05 12.75 12.82 1,082 327	3700 323 438 42 160 E COCCA LCE Dec Mar Dec Mar 875 49 98 32 49	12 How the camper gazed out at 17 Unwilling to speculate - just one? (8) as bad as before (2.5)
Previous 1032.5-3.5 1028.5-27.5 High/low 1016 1045/1034 AM Official 1016-17 1040-40.5	ERUDE QL IPE (\$/barret)	Jul 23.53 -0.27 23.75 23.50 3,885 889 Total 81,815 14,292  III SCYABEAN MEAL CET (100 tons; \$/ton)	Jan 11,82	1000 36 84 44 80 1060 10 62 77 88	13 The Foreign Office? (6) 18 Having no money or having it 15 Point to the right (4) 16 Put on the list that's to go 19 Father's brothers (8)
AM Official 1016-17 1040-40,5 Kerb close 1041-2 Open int. 98,372	price change High Low let Vol. Nav 16.38 +0.01 18.38 16.20 64,047 22,431	Det 164.7 -0.7 165.2 164.2 11,067 5,167 Dec 164.7 -0.9 165.4 164.3 44,079 6,425	## WHITE SUGAR LCE (\$/torns)  Gec 227.80 -1.00 \$28.80 \$27.60 \$1.614 \$24	1850 27 57 - 60	16 Put on the list that's to go 19 Father's brothers (8) back to the benefactor (7) 22 Fruit at long last. Stewed 20 Isn't there an index of the pears (6)
Total dolly turnover 18,217  COPPER, grade A (\$ per torne)	Sec 16.50 -0.03 16.51 16.36 41,054 6,799 Jan 16.57 -0.09 16.57 16.46 14,650 3,377 Feb 16.60 -0.07 18.60 18.50 8,535 218	Jan 189.5 -0.8 187.2 198.0 11,042 1,300 Mar 170.1 -0.9 170.9 198.6 10,858 596	View 329,40 -0.80 328,70 328,00 7,682 337 May 328,40 -0.80 329,00 328,40 1,344 21	1700 8 38 85 - 1750 2 22	famous? (7) 23 Little creatures hiding under 21 Can but don't remain rooted upturned stone (6)
Close 2558.5-59.5 2568-69 Previous 2544-45 2568-57	Mer 18.58 -0.08 16.68 16.48 5,678 431 Apr 16.52 -0.18 18.55 16.51 1,587 5	May 172.7 -1.0 173.6 172.4 5,827 195 Jul 175.7 -0.9 176.5 175.2 3,856 183 Total 88,139 18,851	Aug. 328.10 -1.00 328.00 325.00 1,080 36 Oct. 312.90 +0.10 312.90 312.40 414 26 Duc. 311.80 +0.10 - 4 -	LONDON SPOT MARKETS	to the spot (4) 24 Jam you get the last of from 25 Awakens and takes a turn the jar (6)
High/low 2586 2578/2564 AM Official 2568-67 2573-74	Total 140,839 32,883 III HEATING OIL HYMEX (42,000 US galls; c/US galls;	M POTATOES LCE (2/tonne)	Total 14,138 744  IS SUGAR '11' CSCE (112,000Ex; cents/Es)	## CRUDE OIL FOS (per barrel/Nov) +or-  Dubel \$15.32-5.84u +0.080	smong the flowers (6) 27 In turning gold into base 26 A liking for the song the con- metal (4)
Kerb close 2664-5 Open int. 213,756 Total dally turnover 61,220	Letust Say's Open price change High Low lat Vol	Mar 105.0	Get 12.51 -0.03 12.82 12.50 12.305 7.389 Mor 12.39 -0.08 12.51 12.38 100,67714,574	Brent Blend (Nov) \$16.14-6.17 +0.085 Brent Blend (Nov) \$16.47-6.50u +0.085 W.T.L (1pm est) \$17.65-7.66u +0.085	victs are singing? (8)  28 They aim to be among one's best friends (8)  Solution 8.570
III Like AM Official 2/5 rate: 1,5777 Like Closing 2/5 rate: 1,5765	Oct 47.80 +0.20 48.00 47.40 14.900 11,843 Nov 48.50 +0.15 48.75 48.20 35,563 12,618 Dec 49.75 +0.10 50,00 49.51 41,814 6,855	#lay 240.0 +2.5 Jen 107.5 Total 1.180 78	May 12.39 -0.07 12.50 12.39 16,365 1,883 Jul 12.29 -0.06 12.38 12.27 10,553 1,127 Oct 12.06 -0.06 12.14 12.08 6,876 57	E OIL PRODUCTS NWEprompt delivery CIF (forms)	29 Is mother by way of heine a
Spot 1.5760 3 miln:1.5739 6 miln:1.5708 9 miln:1.5853	Dec 48,75 +0.10 50,00 49,51 41,814 6,855 Jan. 50,65 +0.05 50,90 50,80 30,265 2,428 Feb 51,45 +0.15 51,55 51,50 15,861 1,271	Total 1,186 78  E FRISIGHT (BIFFEQ LCE (\$10/Index point)	Oct 12.08 -0.05 12.14 12.08 6,876 57 Mer 11.60 -0.01 11.72 11.95 1,090 42 Total 147.860 25,079	Premium Gesotine \$169-172 Gas Of \$151-162	30 As he turns round, taking off VILLEVIEWS TRIALLINER
HIGH GRADE COPPER (COMEX)	Mar 51.30 +0.05 51.50 51.10 12,967 1,080 Total 176,006 38,945	Sep 1626 +5 - 223 - Det 1690 +35 1700 1675 752 134	COTTON NYCE (50,000bs; cents/lbs)	Heavy Ruel Off \$74-76 +1 Naphtha \$180-161 +1 Jet tuel \$173-174 +2	31 How the sky is when the SEEED INSTITUTE OF THE PROPERTY (S)
Chose change High love list Vol. Sep 123.50 -0.80 128.25 120.00 1,344 555	III GAS OIL PE (\$/tonne) Seti. Day's Goom.	Hor 1675 +27 1675 1695 175 212 Jan 1617 +22 1620 1695 730 29 Apr 1619 +16 1615 1615 420 8	Oct 88.30 +0.60 68.50 68.20 350 176 Dos 67.44 +0.24 67.85 87.31 28,268 7,602 Mar 52.12 +0.17 68.70 68.05 10.728 1,152	Petroleum Argun esseumente  2 OTHER	DOWN OPENIER WENDERLEY
Oct 119,50 -0,75 121,40 118,80 2,289 278 Nov 118,35 -0,45 118,30 118,90 731 40	Sect. Day's Open price change High Low int Yel Oct 150.00 +0.75 150.25 148.25 27.999 4.380	Jol 1445 107 - Total 2,437 383	May 70.95 +0.15 70.87 70.40 8,748 1,250 3dl 71.35 +0,10 71.87 71.50 4,041 440	Gold (per troy 02)# \$385.50 +0.10	In the act of standing drinks, was specied at (8)  The champion showed out-
Dec 118.10 -0.25 118.65 118.50 42.583 4.971  Jan. 117.95 -0.15 118.16 117.35 573 9  Feb 117.15 -0.05 117.50 117.00 489 -	Now 152.50 +0.50 152.75 151.00 18,545 3,812	Cloud Prov BR 1626 1616	Oct 66.75 -0.06 - 487 31 Total 81,372 18,749	Silver (per troy o2) \$ 581.5c -3.50 Pletinum (per troy oz.) \$420.50 +2.50 Palladium (per troy oz.) \$154.00 -1.00	rage at the trial (8)  3 Lying to make us climb the
Total 59,019 6,532	Jan 158,75 -0,25 157,00 155,75 14,962 637 Feb 158,00 -0,25 158,25 157,00 5,577 408		Mor 98.70 +0.85 99.00 97.20 9.752 1,159	Copper (US prod.) 128.0c -3.0 Lead (US prod.) 38.25c	tree (6)
PRECIOUS METALS	Mer 158,25 - 158,25 167,90 5,602 541 Total 103,776 11,286		Jen 101.60 +0.50 102.00 100.40 8,316 766 Mar 104.70 +0.35 106.00 103.60 4,498 266	Tin (New York) 13.53m -0.03 Tin (New York) 250.5c	5 Comes back with "I don't ERRITARE DA S think much of the band!" (4)
III LONDON BUILLION MARKET (Prices supplied by N M Rothschild)	Leiset Day's Open		Har 107.85 +0.16 107.70 107.00 1,041 23 Jul 118.85 +0.10 - 909 4 Sep 113.80 +0.35 - 28 6	Cattle five weight/10 114.51p +0.47* Sheep five weight/140 87.80p +0.79*	
Gold (Troy oz.) S price 2 equiv.	price change High Low lot Vol. New 1,710 -0.005 1,735 1,705 31,879 9,308		Total 22,723 2,226	Piga (live weight)© 75.12p +1.08° Lon. day sugar frav) \$310.3 -9.1	JOTTER PAD
Close 385.25-385.75 Opening 397.40-397.80 Morning fb. 251.694 397.50	Dec 2.000 -0.005 2.020 1.995 30,146 2,181 Jan 2.070 +0.005 2.080 2.085 18,289 1,558	1		Lon, day sugar (wa) \$335.0 -3.3 Tata & Lyfe export £308.0 -3.0	
Afternoon fix 250,982 396,25 Day's High 398,10-398,50	Feb 1.995 +0.006 2.000 1.965 14,957 909 Mar 1.945 +0.005 1.950 1.940 11,334 483 Apr 1.910 - 1,915 1,910 5,823 526	Cotton Liverpool-Spot and Shipment sales amounted	VOLUME DATA	Barley (Eng. feed) Unq. Malza (US No3 Yellow) \$136.0 Wheat (US Dark North) £180.0	
Day's Low 395.25-395.75 Provious close 395.20-395.60	Total 1512 - (,315 (.510 6,623 526 Total 152,214 16,022 160 UNILEADED GASCLINE	to 237 tonnes for the week ended September 23 against 85 tonnes in the previous week. Improved demand brought moderate purchases	Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CET. NYCE, CME, CSCE and IPE Crude Oil are one	Pubber (Nov) \$0,00p  Rubber (Dac) \$9,50p	
Loog Loin Mean Gold Landing Rates (Vs USS) 1 month	NYMEX (42,000 US galls.; c/US galls.)	mainty in Central Asian and American descrip- tions. CIS growth made some headway.	dey in arrests.	Pubber KL RSS No1 Oct 339.00m +1,50 Conorus Oil (Phil)5 \$\$40.0z -15,0	
8 menuns	Latest Day's Open price change High Low int Vol	1	INDIOTO	Paim Of (Malay.)§ \$630.0t +7.5 Copre (Phi)§ \$410 -10	1 .
Spot 361.46 570.00	Oct 44.00 +0.42 44.36 43.35 10,529 12,602 New 44.15 +0.27 44.70 43.75 25.813 15,235 One 52.95 +0.27 53.10 82.70 12.784 4.208	}	INDICES  REUTERS (Base; 18/9/31=100)	Soyabeans (US) £158.0z Cotton Outlook 'A' Index ?3.80a -0.30	
B mornins 372.85 585.00 1 year 386.16 602.25	Jan 52.75 +0.17 52.95 52.70 7,544 2,024 Feb \$3.00 +0.02 53.00 53.00 3,897 333		Sep 28 Sep 27 month ago year ago 2105.2 2115.1 2101.7 1583.2	Widelitops (64s Super) 463p  1 per tonce unique opportunities stated, p percuying, o ceresific.	
Gold Coins 3 price 6 equiv. Krugerrand 400-403 253-256	Mar 54.00 +0.12 - 1,324 51 Total 70,529 36,117		Sep 27 Sep 29 month ago year ago	C per tonno uniest otherwise stated, p percuring, o cerestle, r inggithe, m Malayalan ottening, t Nov. 1 Oct. 2 Septice. Wage, 14 London Physics, 5 CF Rotteriam, & Bullon market place, 4 Shapp (Live weight place), " Charge on	

#### LONDON STOCK EXCHANGE

MARKET REPORT

# Fed decision encourages recovery in blue chips

By Terry Byland, UK Stock Market Editor

The decision by the Federal Reserve to leave its key interest rates unchanged touched off the expected technical rally in the UK stock market yesterday. Led forward by firmness in bond markets and by a spectacular return to a premium on the December stock index future contract, equities rebounded sharply. closing just under the best of the day after Wall Street opened the new session with a further gain of

There was no great increase in trading volume, however. Share gams were mostly moderate, but there were market hints of impending bid moves in the pharmaceuticals and insurance sectors.

After touching 3,039.3 in early

dealings, the FT-SE 100-share Index trod water for most of the day, rallying to close at 3,038.7, a net 30.2 higher on the session. A substantial rise in durable goods orders in the US, while not taken entirely at face value in London, indicated further strengthening in the US economy.

The Fed's decision against a rate change left markets to continue worrying about the timing and direction of global interest rates, with today's meeting of the Bundesbank at the top of the list of concerns. Some analysts argued that the impending elections in both Germany and the US may render their respective central hanks less anxious to act on interest rates for

Two relatively small trading programmes were reported, perhaps linked to the strong upswing in

stock index futures which spurred activity in the blue chip sectors. The broader market was also firm. albeit less active. The FT-SE Mid 250 Index regained 16.3 of its recent loss to close at 3.533.8.

Seaq-reported trading volume increased only slightly, from 545m shares on Tuesday to 575.5m yesterday. Non-Footsle trading made up around 58 per cent of the day's total, a relatively high percentage and an indication that some private investors may have re-entered the

Retail, or genuine customer, business in UK equities returned a value total of £1.38bn on Tuesday. confirming once again the presence of the big institutions, which are believed to have been sellers of stock during the recent shakeout.

Dealers believed that, barring any

bank today, the recovery in the London stock market has further to run. The outlook for company profits and dividends is thought to have turned less confident, however, and there is some uncertainty as to how far the Pootsie can run before the

from City analysts. The brighter mood in equities, which was also buttressed by the outcome of the auction of £2bn of British government securities. brought the focus back on to individual stocks, rather than to factors influencing investors across the full

year-end, and whether it can meet

the more optimistic of the forecasts

range of the market. Not all were favourable Wellcome met selling pressure in spite of the company's assurances that it had taken steps to meet comments

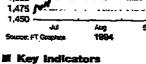
unexpected move by the Bundes- from the US Federal Drug Administration. Most other blue chip dollarinfluenced stocks performed well. however.

Among the consumer and retail sectors, which have taken a pounding over the past week, store shares were generally firmer; the dull spot being Sears, which was still upset the half-time trading report. Banking stocks moved higher with the market.

But analysts were wary of suggesting that the stock market had made a genuine and lasting recovery from the weakness of the past formight.

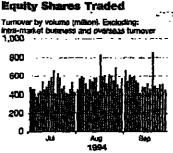
Friday afternoon will see the end of the third quarter of the year, and the next two trading days could well bring some window-dressing operations by professional fund





indices and ratios FT-SE 100 FT-SE Mid 250 3533.8 FT-SE-A 350 1530.1 +13.3 FT-SE-A All-Share FT-SE-A All-Share yield (3.99)

1 Gas Distribution Tobacco .... +2.5 Retailers, Food



+30.2 FT Ordinary index FT-SE-A Non Fins p/e

(18.47) FT-SE 100 Fut Dec +38.0 (9.01) 10 yr Gilt yield Worst performing Other Financial

FT-SE SmallCap Ex IT ..

#### Gas wary ahead of meeting

There was a sudden rush of nervous covering in British Gas shares, which delivered one of the best performances of the FT-SE 100 constituents ahead of today's crucial strategy meeting at the Queen Elizabeth II conference centre at

Analysts described today's meeting, which runs from 8.30am to noon and will be

Stock index futures advanced

strongly yesterday in improving

volume, with premiums to the

cash market at times widening

3520.0 3553.0

# FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point

3058.0

3080.5

3,553.0

Open Sett price Change High

FT-SE 190 INDEX OPTION (LIFFE) (\*3039) £10 per full index point

+38.0

substantially.

attended by analysts and fund managers from across the globe, as possibly the most important since the group was privatised in 1966.

Dealers said British Gas shares have risen strongly in recent sessions and especially yesterday as some institutions underweight in the stock moved into the market to try to reach level weightings

ahead of the meeting.
"It has been quite clear for some time that Gas will set out progressive dividend policy at the meeting, as well as outline the way ahead for the company after break-up forced on it by the authorities," commented one specialist.

The FT-SE 100 December

moving up from an opening

low of 3,017 to a best of the

throughout the session.

Low

contract pushed ahead steadily

At the close British Gas was 9% higher at 299%p after turnover of 5.8m shares.

#### Wellcome hit

Pharmaceuticals group Wellcome wilted under waves of selling from institutions after news that the US Food and Drug Administration had issued a written warning to Wellcome about production problems at its US manufacturing plant in Carolina.

The news was badly received the stock market, where Wellcome shares, buoyed recently by persistent talk that the company could be the target of an overseas bid or a

day of 3,062 by mid-afternoon.

The contract closed at

3,056, up 38 points. At this

value premium around 19.

Trading volume was little

level the premium to the cash

market was 17.3, with the fair

merger with one of the UK pharmaceuticals companies, lost 19 at 659p, having fallen to 647p at one point. Turnover in Wellcome was a heavy 7.6m shares, the highest since mid-

#### Steel rides high

British Steel continued to strongly outperform the market, climbing 6 to 171%p as investors took a very positive view of the company's buoyant

TRADING VOLUME

Vol. Closing Cay's 000s price change

■ Major Stocks Yesterday

trading prospects. A big US securities house said to be Goldman Sachs, did most of the day's more aggressive bidding and 32m shares changed hands as the stock

#### for the year. On the back of firm steel

broke through to a new high

prices and expanding production - output could rise by 5 per cent this year - the shares have outperformed the market by 12 per cent over the past month and by 34 per cent on a 12-month basis.

US production is due to expand very strongly next year and new technology looks set to make British Steel one of the cheapest producers in

North America. The talk among analysts is that US buyers of the stock, having run down their portfolios this year, could soon be in

British Airways continued to lose ground, shedding 5 to 329%p as four other major US airlines moved their trans-Atlantic fares down into line with the recent special offer from NorthWest Airlines.

Only 1.4m shares were dealt but the stock was clearly out of favour ahead of next week's traffic figures for September, which are widely expected to

make gloomy reading. Conversely, BAA has taken heart from the air ticket reductions, advancing 9 to 487p on the expectation of growing passenger volume. Its September traffic figures are due out on

Shell Transport came in for keen support after a profits upgrade by Nomura, the stockbroker, whose analyst Mr Nick Clayton raised his current year profits estimate to £3.85hn. The Nomura analyst cited evidence of petrochemicals prices and

LIFFE EQUITY OPTIONS

540 42% - - 3 - - 589 11 - - 21% - - 250 18% 24 20% 5 13 17% 200 6 13% 21 15% 23% 28% 60 5 7% 9 2 4% 5% 70 1% 3% 5 9 10% 11%

360 17 29 35% 7 15% 21 420 4% 14% 22% 25 33 38 180 15 19% 25% 25 6% 8 180 35% 9 14% 11 16 18% 500 35% 44% 45% 5 16% 5 560 7% 17 25 25% 47% 52

800 48% 71 88 7 22% 38% 850 17 41 57 27% 45% 31% 480 38% 83 85 5 13% 21 500 13% 28 43 19% 30 38%

10U 2016 2616 28 116 416 80s Dhoma 200 5% 12 18 7½ 13 17½ (\*188 )

460 27 44 5116 24 32% 43 500 1116 2616 34 50 57 6616 420 2116 3416 3916 1316 22 32 460 716 17 2216 43 4616 5716

Esstent Eine 750 38 56% 73 30 44 53% (752 ) 800 17 38 51 80% 75 83 80mpets 420 42 50% 57% 5 33 20% 25 34 66C 250 256 456 20% 25 34 4% 9 12

FT GOLD MINES INDEX

Gold Miless Index (35)

M Regional Indices

Airice (16) Australasia (6) North Anarica (11)

Brit Airways 380 13 24 34 11 21 26 (\*380 ) 390 3 72 22 33% 40 44 Brit Brits Brits A 420 17% 31 41 9 20% 27% 27% (\*427 ) 480 4 13% 22% 36 45 51 Boots 500 40% 48 80% 2% 11% 18 (\*534 ) 550 7% 21% 34 22% 35 41%

Cactle & West 390 28 469% 62 8 1816 25 (\*407 ) 420 1116 2516 8716 23 3416 40 Coordinates 420 38 4816 5716 25 12 1516 (\*462 ) 460 1119 25 34 18 30 33 Caumo Lision 483 2416 4816 47 516 13 27

Land Secur 600 3214 4216 56 416 13 17 (1624 ) 630 5 1714 3016 30 30 4316 Merks & S 390 24 3216 42 316 11 1416 (1408 ) 420 7 1876 2516 17 25 28 6481684 480 31 45 54 516 14 2516 (1412 ) 500 816 23 3316 2416 32 47

Get Jan Apr Oct Jen Apr Optica

#### **NEW HIGHS AND** LOWS FOR 1994

NEW HIGHS (24).
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I) RGA ELECTHICA E LECT EOUP (5) Note
Pt., TGI, Thorpo (PV), ENCINEERING (1) Birl.
Steel, EXTRACTIVE ROOS (7) Anglo Am. Gold.
Burmino, Doordonten, Hermony, Impa

APPAREL (1) Worsum, TRANSPORT (2) Apple Obstruction, On-Arbeid.

NEW LOWE (60).

BANKS (1) Expirito Santo, BUBLIDING & CASTRIN (6) ESC. Laing Ut, Do. A MV, Rene, Wilson (5). BLD MATLS & MCHTE (9) Areas, Expirito, Wilson (6). BLD MATLS & MCHTE (9) Areas, Expirito, Wilson (7). BLD MATLS & MCHTE (9) Areas, Expirito, Wilson, DiSTRIBUTORS (6) Adea, Charles Scinoy, Enterprise Company, Last Service, Miligate, DIVERSIFIED BIOLS (1) BTR Nylos, ELECTRINS & ELECT EXUP (8) Belscom, DRS Doss Res, Which, EMONESTRING (8) Associations Hamble, Aivis, Glynwed Int., Emitts Inds., T. Transfer, ENG, VERICLES (1) AAF, EXTRACTIVE BIOS (1) Bleich, FOOD MANUF

EXTRACTIVE BIOS (1) Blokely, FOOD MANUF (i) Device Ind., INVESTMENT TRUSTS (7) INVESTMENT COMPANIES (1) Ladin Am. Extra YEL LEISURE & HOTELS (1) Along A

Yid, LERBURE & HOTELS (I) Apire Amports, Oil, EXPLORATION & PHOD (1) North Sas Assets, OTHER FRANKCH, [9] Aborden Trust, MAI, Oceans Curs., Secure Trust, St. James's Place Cap., Towy Lew., CTYPER SERVS & BUSINS (2) Photo-Me, Petigrum, PHARMACEUTICALS (I) Protect Ind., PRITING, PAPER & PACKE (7) Brit. Thomson, Fergular Hall, Hutters Armfey, Parientle Ind., Physic, Serit, St. Nes., PROPERTY (15) Billon, CJ.S. Esco, E. Lands, NOCO, Lon. Merchant, Mucidian (Asil), Chies, Prot. Philip. Register, Sellien, Se Otives, Pool, Filint. Regulien, Sateland, Sa RETAILERS, GENERAL (9) Argos, Betterware, Country Casuala, Counts, Essax Furniture, MFI, Sears, Smith (WH), Storehouse, SUPPORT SERVS (2) BSM, Macro 4, Novo, TEXTILES &

upgrade. The stock moved up to 697p before closing a net 41/4 ahead at 694½p; turnover came

220 2074 2814 26 3 614 814 240 774 12 1814 9 16 19 134 2874 - 214 - -154 18 - 914 - -

500 50% 66 76% 9 18 31% 550 21 35 46% 30% 41 56% 180 14 16% 22% 5% 8% 12% 200 4% 6% 13 18 21% 24% 250 27% 34 57% 4 7% 13% 300 14 22 25% 11% 16 23

20 23 29 34 4 8 11% 240 9% 17 22 12 16% 20% 183 18 23% - 5 8 -200 9% 15 29 12 16% 19 322 25% - - 4% - -354 9% - - 17% - -

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Now Feb May Nov Feb May

Rulls-Rayce 180 14 20 231; 6 11 15 (\*184 ) 300 516 11 1416 1816 2216 2616

"Underlying security grice. Premiums shown are based on closing other prices. September 28, Total contracts: 30,545 Calis: 18,043 Puts: 14,502

Sap % chap Sep Sep Year Gross der 62 websk 27 on day 25 23 zop yield % High Low

 1544.15
 -0.6
 3565.76
 3542.16
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 2912.36
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 1828.55
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 1911.21
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2337.90 +8.5 2205.31 2331.42 1852.85

RIZ 900 37% 60% 71 25% 33% 55% (904 ) 950 16 38% 47 55% 67% 63% Radiand 500 28% 44 65% 14 21% 35% (520 ) 550 81% 22 30% 45 51 66 51 66 Royal Inscs 260 17 26% 32 12% 18% 26 (262 ) 300 9 17 25% 25% 25% 25% 35%

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Abbuty Med 380 30 41 48 1 6½ 14½ (\*387 ) 390 2½ 2½ 30% 4½ 18 23% Augustud 25 3½ 4½ 5% 1 2 3 3½ 5 6 8acctors 550 17 40½ 54 ½ 16 28 (\*566 ) 600 1 18 28 36 44 56

dence of renewed US selling of BP left the stock a poor performer in the London market at 398p, down 2, after 396p. News of the £58.4m rights

issue saw Unichem tumble 22 British Aerospace declined 4 to 464p against the general trend. The company's name has been linked with Fokker, of the Netherlands, over the development of a new 120-sea-

ter plane. But the main talk

among traders was the possibility of an imminent takeover by the company, with VSEL. up 5 at 973p, said to be a likely Smiths Industries dipped 5 to 427p following a large sale order by S.G. Warburg at 422p, and Lucas Industries also went

over, easing 2 to 194p on 10m Better than expected results triggered good support for Bea-zer, the housebuilding group, whose shares settled 8 higher

in the opposite direction to the

market in very heavy turn-

Among diversified industrials, Tomkins had another busy day with 6.4m trades leading to a rise of 9 in the share price to 218p as the market took advantage of the clearing of a major stock overhang. Williams Holdings rose 7 to 344p following yesterday's presentation to

at 131p.

City analysts. Shares in Bass, a weak feature after a trading statement broker urged investors to buy the stock.

Bass jumped 12 to 526p in trade of 2.4m, when Smith New Court suggested that investors, and income funds in particular, buy the shares for the healthy dividend expected with the group's final results. Bass made an interim dividend payment of 6.6p and Smith New Court is expecting a dividend of 14.4p at the end of the year. Favourable results from property group Frogmore Estates not only boosted the

company's shares but also cheered several other stocks in the sector. The shares responded by racing 25 ahead to 444p. A recommendation from Lehman Brothers boosted BAT

Industries, which finished 11 ahead at 423p. Hotels group Forte, which reports figures today, put on 2 at 219p ahead of today's figures. Vague talk of a rights

issue announcement with today's figures was heard early in the session, putting pressure on the stock. The talk had faded by the second half. The market was disappointed with figures from jewellery group Signet. The

decline in the US market was of particular concern to analysts and several brokers downgraded full-year profits expectations by around £10m to £16m. The shares retreated 3¼ to 28¼p.

Steve Thompson. Jeffrey Brown.

January 13

CROSSKIN

all topogram

217 38<sup>1</sup>2 180<sup>1</sup>2 51<sup>1</sup>2 145 228 77 272 101<sup>1</sup>2

FT-SE 100 FT-SE Mild 250 FT-SE Mild 250 ex law Truets FT-SE-A 350 FT-SE SmallCap FT-SE SmallCap ex law Trusts

10 MINERAL EXTRACTION(18) 12 Extractive Inclustries(4)

15 Oil, Integrated(S) 16 Oil Exptoration & Prod(11)

20 GEN MANUFACTURERS/200

23 Chemicals(23) 24 Diversified inclustrials(18) 25 Eactronic & Elect Equip(34)

25 Eschoric & Bect Equip(34 26 Engineering(70) 27 Engineering, Vehicles(12) 28 Printing, Paper & Polig(26) 29 Textiles & Apperal(20)

30 CONSUMER GOODS 577

30 CONSUMER GUILLOOPIN
31 Breweries(17)
32 Spirits, Wines & Ciclers(10)
33 Poot Merudacturers(23)
34 Household Goods(15)
36 Health Care(21)

37 Phermaceutics 38 Tobacco(1)

40 SERVICES(221)

Building & Construction(35) Building Matis & Merchs(32)

■ FT-SE Actuaries Ali-Share

FT.SE.A ALL-SHARE

3500 3550 3600 3650 3700 Oct 1577; 763; 1365; 973; 1145;121 %

FT - SE Actuaries Share Indice

Calls 5.500 Page 5.512 WE EURO STYLE FT-SE 100 BIDEX OPTION (LIFFE) \$10 per tall index point

SI EURO STYLE FT-SE MID 250 RIDIEX OPTION (OMLX) £10 per full index point

1797,87

1900.61

1814.50

1922.43

1822.86 2282.23 2819.51

1597.44

2183.40

2788.41 2274.99 2369.96 1630.16

1901.04 2553.91

68<sup>1</sup>2 118 87<sup>1</sup>2 91<sup>1</sup>2 110<sup>1</sup>2 68<sup>1</sup>2 138<sup>1</sup>2 48 168<sup>1</sup>2 33<sup>1</sup>2 200 187 113 116<sup>1</sup>2 180 77<sup>1</sup>2 218 212 137 159 178<sup>1</sup>2 116 231<sup>1</sup>2

EQUITY FUTURES AND OPTIONS TRADING

Dey's Year Sep 28 chge% Sep 27 Sep 28 Sep 23 ago

+1.0 3008.5 2998.8 3028.2 3030.1 +0.5 3517.5 3621.4 3660.9 3434.4

+0.4 3517.7 3622.4 3581.0 3448.B

40.9 1516.8 1513.8 1528.7 1517.0 4.02 6.86 — 1827.42 1894.12 1844.08 1768.41 3.23 4.76 —0.1 1800.00 1906.93 1815.83 1764.58 3.43 5.28 4.08 1807.58 1506.22 1519.58 1503.92 3.98 6.71

+1.0 1905.26 1889.93 1907.49 1885.90 2.16

4.08 1054.71 1067.49 1077.37 1159.10 3.88 +1.0 1840.54 1846.58 1854.98 1858.40 3.97 +0.3 2361.91 2392.17 2357.15 2202.30 3.91 +1.1 1795.59 1782.91 1782.12 1397.90 5.05 +0.4 1915.67 1896.41 1912.65 2167.50 3.92 +0.4 1815.67 1810.25 1828.01 1871.30 3.14

+0.8 2265.08 2268.01 2267.38 1875.80 4.38 +0.1 2817.70 2807.96 2829.43 2433.00 3.04 +0.5 1568.94 1591.51 1800.56 1862.30 4.21

+0.7 2678,36 2672.99 2701.07 2732.20 +1.0 2182.23 2175.82 2208.28 2013.30

41J216223 2173-02 2216-22 2170-20 40.8 2783-32 2780-21 2788-57 2770-20 40.5 2263-43 2252-02 2261-81 2208-40 -0.1 2371-78 2352-85 2474-78 2565-80 -1.1 1647-54 1652-22 1653-65 1722-90 40.3 2952-95 2948-97 2890-82 2990-80

+2.5 3458,30 3473.08 3489.86 4080.70

+0.8 1886.00 1880.34 1892.71 1884.50 +1.1 2525.67 2496.18 2506.02 2590.30 +0.4 2057.22 2063.17 2054.97 1938.80

3750 3900

better than average, reaching 3085.0 3017.0 3080.5 3078.0 1438R 13,453 contracts, up from 10,453 on Tuesday. But ■ FT-SE MED 250 INDEX FUTURES (LIFFE) £10 per full index point alers said there was plenty +24.0 3550.0 3520.0 of broad based support. On a number of occasions IL FT-SE MED 250 BADEX PUTURES (OMILX) \$10 per full ladex point the premium to the cash market widened to 24 points, the best since mid-August, as stock futures attempted to

Est. vol Open int.

strong lead. But at these premiums the cash market showed a marked reluctance to follow, said dealers. Activity was again mostly in traders thought institutional business could soon start to return - possibly next week -

once third-quarter book Traded option turnover eased to 30,859 lots, down 3,711 on the day. FT-SE and Euro FT-SE volume accounted for 13,759 of the total, British Gas (4.073 lots) and Hillsdown (2,955) were the most actively

traded stock options.

7.16 5.80

Div. y<del>lek</del>1%

4.16 3.53 3.69

4.42 4.33 4.00 4.26 3.83 3.07 4.45

6,12

Fig Floories & Col. LT, Forter Gen, Accident General Elect.† Classof Glyssed P/E Xd adj. Total ratio ytd Return 18.44 104.76 1150.71 20.75 98.05 1315.40 19,31 101.59 1311.40 17.27 50.39 1184.62 26.38 43.71 1416.91 24.11 44.96 1398.38 17.72 49.08 1198.71 Day's Year Div. Earn P/E Xd adj. Total Sep 28 chge% Sep 27 Sep 28 Sep 23 ago yield% yield% ratio ytd. Return +0.5 2844.87 2846.01 2866.24 2310.20 8.46 5.16 24.56 81.42 1069.32 +1.3 4020.18 3982.07 4018.15 3167.90 3.15 5.03 24.59 98.24 1124.04 +0.2 2865.88 2576.13 2893.58 2280.00 3.87 5.85 21.29 85.60 1057.33 +0.6 1888.52 1882.58 1896.97 1694.30 4.01 5.07 23.86 61.34 968.81 8.13 25.75 28.18 4,83 24,77 55.15 874,85 4,23 29,01 78.13 1049,44 5.13 23,41 80,60 822,07 6,56 18,14 57,28 940,06 4,91 24,08 45,23 1041,63

Daigety De La Rae† Okone

4.91 24.08 45.23 1041.63 2.69 50.63 73.39 1106.66 5.31 22.00 70.70 1109.57 6.87 17.80 46.49 903.03 7.56 15.27 102.06 929.75 7.84 15.49 61.03 978.07 6.97 16.62 89.90 Petron†
Patron†
Patron
Petron
PowerGen
Prudential
RBAC† 7.72 15.51 56.79 846.06 3.31 42.44 38.33 942.85 7.23 16.02 125.18 947.82 9.70 11.07 217.07 808.50

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Gased on tracing volume for a selection securities dealt through the SEAD systematic until 4.30pm, Trades of one among are sounded down. † Indicates at

2.400 303/1, 1,200 BAT Inde.T BET BICC BICC† BP† BPB Inde. BT (P/Paid) BTR† Bank of Sco Demand October 13.

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中华女子在下午17日本下餐下房房屋的各种各种的工工中

volumes improving much more rapidly than previously expec-ted as being behind the

Herson (\*235 ) Lasmo

(\*153 ) Lucas inda

Vogatone (\*196.)

(1343 )

Option

Satisbory 380 1814 2014 38 8 2014 2315 8 8un Cardin 280 814 2214 31 7 11 17 (7396 ) 420 534 1814 25 2834 37 40 (7287 ) 300 117 13 21% 15% 22 27% Shelt Trans. 650 5116 68 75 2 6% 17 British Bas 280 21 2416 31 7 7% 12% (7895 ) 700 1474 2216 48 16 28 38 (7289 ) 300 1 13% 20% 41 8 20% Burehouse 180 2014 2416 28 114 416 80 Dburns 180 18 1814 2316 1 819 13 (797 ) 200 5% 12 18 7% 13 17% (788 ) 200 1 10% 14 14 19% 24%

Tomidos (\*217 )

Wellcome (\*859 ) Option

Switching from British Petroleum to Shell and evi-

from the group on Monday disappointed the market, moved sharply ahead after a leading

MARKET REPORTERS: Joel Kibazo.

Other statistics, Page 22

#### **LONDON EQUITIES**

	Pises	Fells	Sam
British Funds	54	3	15
Other Fixed Interest	11	ā	- 4
Mineral Extraction	68	48	84
General Manufacturers	115	135	395
Consumer Goods	45	33	109
Services	88	95	314
Utilities	27	7	11
Fnenclals	85	107	174
hyestment Trusts	148	33	285
Others	44	28	33
Totals	883	487	1422

September 26 October 7 Cells: Allience Res, Aminex, Aran Energy, Greenwich Res, Middleeex Hidgs. Puts & Cells: Aran Energy, Greenwich Res.

TRADITIONAL OPTIONS

**LONDON RECENT ISSUES: EQUITIES** 102 95 Beacon Inv Tet
48 39 D. Werrarks
130 118 Compel
1-2 1 Cont? Foods Wrts
62 61 Enterging Mids C
120 118 Independent Paris
185 180 Maccile Init
85 75 Ryland
44 27 Suiter Wrts 98/04
379 371 Templeton E New
212 192 Do. Wrts. 2004
330 380 Wrex. & Drib Wr
330 Do. NV 100 F.P. \$125 F.P. - F.P. - F.P. - 112 F.P. - 180 F.P. - 80 F.P. - F.P. 18.1 1.52 18.2 1.30 24.5 21.4 18.2 119 14 82 120 189 85 31 373 203 380 330 2.1 4.2 2.2 4.0 1.7 5.1

RIGHTS OFFERS Low Stock 475 NF 160 NE 500 NF 252 NF 4/15 17/10 18/10 11/11 59pm 15pm Commercial Union 9pm 2pm Jermyn Inv. 52pm 44pm Reskitt & Colman 34pm 6pm Weir 32pm 2pm 44pm 6pm +18

FINANCIAL TIMES EQUITY INDICES Sep 28 Sep 27 Sep 26 Sep 23 Sep 22 Yr ago "High 
 Ordinary Share
 2350.5
 2340.0
 2331.4
 2347.2
 2340.2
 2323.6
 2718.6
 2240.6

 Ord. cfv. yleid
 4.38
 4.39
 4.41
 4.37
 4.59
 4.01
 4.48
 3.43

 Eigen. yld. % full
 6.29
 6.33
 6.35
 6.30
 6.34
 4.72
 6.34
 3.82

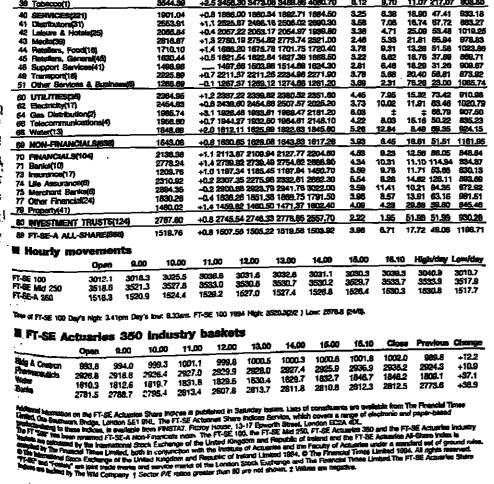
 P/E ratio nat
 17.65
 17.43
 17.88
 17.51
 17.50
 27.06
 33.43
 18.94

 P/E ratio nat
 17.81
 17.69
 17.64
 17.78
 17.67
 24.97
 30.80
 17.08

130 5½ 12½ 18 1 8½ 12 140 1 8½ 14 9 15 18 1600 10½ 32½ 67½ 3½ 31 47 1050 2 29 45 48 35½ 74½ 200 16 24½ 29 1 5 10 220 1 12½ 17 5 13½ 19½ 220 1 12/h 1/ 0 13/r 10/x 200 199½ 25 31 1 5 8 220 1½ 14 19 4½ 12½ 16/h 650 11 45 86% 2 30½ 4½ 700 1 28 48½ 44 58 71 Oct Jan Apr Oct Jan Apr Open 8.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2342.4 2345.2 2350.6 2358.5 2353.1 2352.4 2351.5 2350.4 2350.7 2360.0 2341.6 Sep 28 Sep 27 Sep 26 Sep 23 Sep 22 Yr ago SEAD bergains
Equity turnover (2m)†
Equity bergains†
Shares traded (mi)†
†Excluding inter-meries by 24,483 23,734 24,626 23,514 23,263 - 1376.7 1222.3 1159.9 1337.8 - 30,207 24,990 27,947 26,204 - 516.3 452.8 508.4 469.0

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OR EXPANATION A PRODUCTION COMM.

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| Cont. | Cone. | Con LEISURE & HOTELS - Cost. RETAILERS, GENERAL - Cont. OIL EXPLORATION & PRODUCTION - Cont. TRANSPORT - Cont. 94 Mar.
180 SEC.11
180 L285
191 L285
195 L285
195 SEC.11
180 SEC.1 5,921 229.5 74.7 8,481 9,172 852.0 248.1 80.6 145.0 12.9 7,294 170.7 WATER + or 1994
- of 967
- of 967
- of 1720
- of 458
- of 751
- of 751
- of 675
- of 675
- of 675
- of 774
- of 774
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#### **CURRENCIES AND MONEY**

#### **MARKETS REPORT**

## **Dollar drifts upwards**

The dollar was slightly firmer against the yen yesterday as markets stretched to the limit of anticipation eyed the eleventh-hour trade talks between the US and Japan, urites Motoko Rich.

in the absence of any real news from negotiators, the markets gave the dollar the benefit of the doubt and bounced the US currency around at the upper end of its ranges against both the yen and the D-Mark.

Against the yen, the dollar closed in London at Y98.7200, up from Y98.1350. Against the D-Mark, it finished at DM1.5467, down slightly from DM1.547.

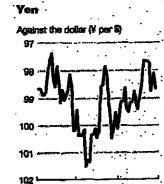
In Europe, the lira remained the focus of attention as Prime Minister Silvio Berlusconi's cabinet approved the government's budget proposals for 1995 and Italy's trade unions called a general strike for October 14 in protest of the pension reforms included in the budget. Against the D-Mark, the lira closed in L1007, down from Tuesday's close of L1006.

Sterling showed some potential to test its upside against the dollar, but fell short of a real breach of important technical levels. Against the dollar, it closed in London at \$1.5784, up from \$1.577 and against the D-Mark, it finished at DM2.4412, up from DM2.4396.

■ The dollar maintained a firm bias against the yen throughout the day although neither US nor Japanese officials were forthcoming with any substantial details on the shape of their trade talks, which look set to continue

Mr Steve Barrow, economist at Chemical Bank, said: "Unfortunately for the market it has always looked like it would come down to the wire and that is the way it has

proved. He said the market was assuming that the two sides would arrive at some compromise on most industrial sectors, and avoid sanctions. In the event of such an outcome, Mr Barrow said the markets



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unsettled by comments from US Treasury Secretary LLoyd Bentsen, who said any trade sanctions that were imposed against Japan would be specific, rather than broad-based.

Earlier, the dollar took a dip as a stronger-than-expected August durable goods orders figure - which rose by 6.0 per cent on July's figure - emerged from the US. It was the biggest gain since December 1992.

■ The lira was bounced around in choppy trading as the mar-kets continued their vigilant watch over Mr Berlusconi's progress with a budget for 1995. The cabinet's approval of the budget helped the lira to rise to L1001.5 in the morning, and though the trade unions called a general strike for October 16, they were largely discounted by the markets.

The revelation by the Northright up until the deadline ern League, one of Mr Berlustomorrow. ern coni's coalition partners, that it would oppose certain measures in the budget aimed at

around to what most people regard as a reasonable value, around L950 to L980 against the D-Mark," he said.

■ Sterling attempted a push upwards against the dollar on the back of the strong US August durable goods orders. Mr Tony Norfield, UK treasury economist at ABN-AMRO, said traders were waiting for the pound to breach the important technical level of \$1.59.

"Once the pound breaks through \$1.59 or \$1.60, technical traders will be asking why it does not go up to \$1.70," he said. "While it is hard to see an independent rise of the pound, it might tally with a general weaknening of the dollar."

■ The short sterling futures contract for December rose by 8 basis points, as recent UK economic data fed through into the markets and traders began to revise interest rates slightly

Since Chancellor Kenneth Clarke raised base rates earlier this month, the futures markets have been pricing in rate hikes of up to 7 per cent in the December contract. Analysts have said such forecasts are highly exaggerated.

The December contract settled at 93.27, up from 93.19, dis-counting a short-term interest rate of 6.73 per cent. Mr Norfield said the rate cur-

rently priced in by the markets is still "implausible", but that investors are slowly curtailing their expectations of rate hikes because recent UK economic data has shown more balanced growth without signs of a con-

the Bank of England forecast a shortage of £400m and provided liquidity of £400m at

■ In the UK money markets.

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ew Zealand	(NZS)	1.6605	+0.0013				1.6589	1.8615	-0.7	1-0077	-0.7	1,0000	-0.5	-
hilippines	(Peso)	25.9500	+0.295			26,0000			_:					_
iaudi Arabla	(SFI)	3.7513	+0.0004				3.7509	3,7526	-0.4	3.7587	-0.6	3.7753		_
angapora	120	1.4888	+0.0038			1.4900	1,4820	1.4874	1.1	1.4855	0.9	1,4788		_
Africa (Com.)		3.5548	+0.0005			3.5560	3,5495	3.5703	-52	3.5986	-4.9	3.6753	-3.4	-
Africa (Fin.)	(F1)	4.2250	-0.005			4.2450	4.2100	4.2587	-9.6	4.3175	-8.8		٠	~
iouth Korea	(Worl)	799,345	-0.405				798,900	802,345	-4.5	805,845	-33	824.345	-3.1	~
alwan	(L2)	26.2136		100 -		26,2180		25.2338	-0.9	26.2738	-0.9		_=	~
helland	(Bt)	24.9600	+0.01	500	- 700	24,9700	24.9370	25,0325	-35	25.16	-3.2	25.64	-2.7	~

#### reforming the country's penestablished rates. Overnight sion system, gave the lira a rates traded between 3% and But in late trading the lira German call money firmed to took strength from Mr Berlus-4.75/85 per cent from 4.30/40 per coni's announcement of furcent. ther budget details, which included a promise to slash the E OTHER CUR deficit by L50 trillion. 171.292 - 171.537 108.550 - 108.650 Mr George Magnus, currency 77.522 - 177.537 108.503 - 108.603 77.53.00 - 27.57.00 17.85.00 - 1759.00 0.4685 - 0.4698 - 0.2989 - 0.2976 38491.3 - 365-862 - 237.50 - 237.50 241.435 - 4219.05 - 2677.00 5.7863 - 5.7990 - 3.6715 - 3.6738 economist at S.G. Warburg, said the lira is still undervalwould "just give a big yawn." ued. "But there is a long way The markets were slightly to go before the lira can turn CROSS RATES AND DERIVATIVES **EXCHANGE CROSS RATES** EMS EUROPEAN CURRENCY UNIT RATES (BFr) (DKg) (FFr) (DKg) (FFr) (DKg) 24 (L) 22 (FF) 18 (NGg) 42.6 (SFr) 24.8 ( 2.018 1.055 1.214 0.414 1 0.370 0.948 0.500 0.859 0.501 1.011 0.477 0.649 0.792 4901 2566 2952 1007 2432 100.1 2300 988.3 1215 2089 1218 2459 1185 1578 1926 5.445 2.851 3.280 1.119 2.702 0.111 1 2.556 1.098 1.351 1.353 2.732 1.289 1.754 2.139 21.31 11.16 12.83 4.379 10.57 0.435 3.913 10 4.297 5.282 9.082 6.295 10.69 5.045 8.861 8.871 403.4 211.2 243.0 82.92 200.2 202.3 74.08 189.3 81.35 100.2 172.0 100.2 202.4 95.52 128.3 129.9 158.5 23.46 12.28 14.13 4.822 11.84 0.479 4.308 11.01 4.731 5.815 10 5.830 11.77 5.555 7.459 7.555 4.024 2.107 2.424 0.827 1.997 0.053 0.739 1.889 1.715 1 2.019 0.953 1.256 1.256 1.993 1.044 1.200 0.410 0.989 0.041 0.395 0.495 0.495 1 0.472 0.6342 0.783 4.224 2.211 2.544 0.868 2.096 0.776 1.982 0.852 1.050 1.050 2.119 1 1.343 1.360 1.659 2.14969 39.4782 0.795641 1.91987 8.55527 7.54098 195.726 159.279 -2.14 -1.83 -1.61 -1.53 0.26 1.40 1.49 3.26 2.19672 40.2123 0.808628 1.94964 6.53883 7.43679 192.854 -0.00104 +0.0091 -0.00009 +0.00035 -0.00238 +0.00302 +0.148 +0.128 2.547 2.590 1 2.414 0.099 0.893 2.2981 1.208 2.074 1.209 2.441 1.152 1.567 1.567 1.912 259.6 298.7 101.9 246.1 10.12 91.97 232.7 100. 122.9 211.4 123.2 248.8 117.4 157.7 159.7 1.333 1.633 0.523 1.263 0.052 0.467 1.195 0.631 1.065 0.632 1.277 0.803 0.808 0.820 5.52 5.18 4.95 4.86 3.00 1.83 1.75 6.60 -4.16 3.34 Change -0.0014 -0.0012 Open int. 72,272 4,097 476 Change -0.0057 -0.0056 Low 1.0176 1.0265 Latest 1.0195 1.0275 1.0433 PUTS Nov 0.04 0.21 0.67 1.57 3.00 4.93 CALLS Nov 7.71 5.44 3.42 1.88 0.87 0.82 31,890 29 1 19,003 193 1 Dec 0.27 0.65 1.30 2.81 3.70 5.49 7,80 5,75 3,93 2,51 1,48 0,79 0.05 0.16 0.83 2.41 4.57 IN SWISS FRANC PUTURES (IMM) SFr 125,000 per SFr # STERLING FUTURIES (MAG 262.500 per 9 1.5752 1.5730 1.5680 12,796 2 1 Dec Mar Jun Open 94,72 94,31 93,82 93,56 Over-night 21256 18165 17183 6347 190384 171737 104772 67986 54 - 34 54 - 4% 523 5523 523 523 533 535 444 574 574 524 6% 6% 6% 8.63 5.63 7% 95 104 5.71 5.76 41 41 6% 52% 8.75 6.75 4.85 4.86 8.25 8.25 8.25 Est. vol Open int. 14884 32389 4238 18364 2071 16019 614 14687 Low 90.66 69.93 69.46 89.16 7.50 7.50 5.25 5.25 3.50 4.00 4.00 1.75 1.75 1-3 month 3-6 months MONTH EURO SWISS FRANC FUTURES Sett price 95.71 95.31 94.96 94.86 LOW Open int. 24484 11593 807) 910 lapan week ago E \$ LIBOR FT London Interbank Fixing Open 93.57 Low 93.58 92.98 92.54 92.14 Est. vol 1777 783 127 20 Change +0.12 +0.12 +0.08 +0.08 Open int. 7484 5688 2531 1001 Open 93.22 92.30 91.62 91.20 Open int. 92.98 92.54 92.14 +0.08 +0.07 +0.08 +0.07 93.27 92.34 91.67 91.23 29009 12149 7515 4785 US Dollar CDs 94.11 93.74 93.37 Est. vol Open int. 134,979 516,654 93,019 406,825 48,097 284,918 Open 94.13 93.76 High 94,14 93,77 93,38 94.06 93.72 93.34 -0.01 -0.01 -0.01 Strike Price 9325 9350 9375 PUTS Mer 1,00 1,20 1,43 574 - 544 574 - 514 574 - 514 574 - 514 575 - 554 1012 - 1014 617 - 614 617 - 614 617 - 614 618 - 614 618 - 514 618 - 514 618 - 514 618 - 514 618 - 614 618 - 614 619 - 614 0.27 0.14 0.06 0.09 0.04 0.02 5 - 4% 6 2 - 5% 4% - 4% 5 3 - 5% 10 - 9% 7 6 - 5% 34 - 34 5% - 4% 5% - 4% 5% - 4% 2% - 2% 2% - 2% 514 - 514 812 413 512 - 10 73 - 514 - 514 - 23 - 23 - 314 Danish Krona D-Mark D-lugarian Dutch Guilder French Franc Portuguese Es Spanish Peset Stetting Swess Franc Can. Deltar US Dollar Total 94.63 94.23 93.81 94.58 94.27 93.92 17,663 8,891 2,356 **BASE LENDING RATES** Dec 0.08 0.15 0.31 Dec 0.30 0.14 0.05 Mar 0,18 0.10 0.04 .. 5,75 ...5.25 .. 5,75 .. 5,75 .. 5,75 0,28 0.10 0.03 0.02 0.07 0.27 0.04 0.11 0.29 0.26 0.06 0.01 0.34 0.51 0.70 Strike Price 9550 9575 9600 94.07 93.59 93.19 92.87 19,056 13,033 4,361 2,627 48,134 34,066 25,868 20,091 High Low Est. vol Open me. +0.03 +0.01 +0.01 -0.01

#### **Trust Funds** Dec Hong Bank (London) PLC Pression Ace 10 Sept Cart London Suit AP 271-008 regerment Co Ltd Debrook Test 2.00 36.75 (817-43 8.005 (808) 8.005 (817-8 \$1,000-09.000 1.00 \$1,000-09.000 4.00 \$1,000-09.000 4.00 \$1,000-09.000 8.30 0.75 3.00 2.375 2.75 Hallfax Sido Sõc Asset Res Tricky Rood, Hallian HA1 280 **Money Market Bank Accounts** Asliam Hodge Stank Ltd 10 Whitper Pance Cardelf GF1 1950 1 No. Read Rein Depost Acc 1 6.50 1 No. Read Rate Depost Acc 1 6.25 1 No. Read Rate Depost Acc 1 6.25 ant Express Bank Ltd Leopoid Joseph & Sone Limited 29 Greens Street, Landon ECZV /EA 400 15625 4.85 Min 150 Decks Town Reed, London 1995 257 071-27 HLCA (52,500+) \_\_\_\_\_ | 489 300 | 4,07 | Lioyds Bank - Investment Account \$10,000 + \_\_\_\_\_ | 4,000 3,800 4,000 Or \$2,000 - \$1,990 \_\_\_\_ | 3,000 2,200 3,004 Or Royal Bank of Scotland pic Prent 12 St Autow So, Sciebach ER; 276. 130,000 - 24,986 - 2,78 2,81 175,000 - 124,986 2,78 2,60 150,000 - 124,986 2,78 2,00 15,000 - 124,988 - 2,70 1,50 2,000 - 14,989 10 13 Typidadi Bank pic 29-30 Pracess Victoria St. Broto J. Henry Schreder Wagg & Co Ltd 120 (Seconds, Joseph FCS) and Special Acc 45 138 4.97 Man 110,000 and 1904 4.75 3.58 4.63 Man 3.62 | 5.01 | Mps Western Trest High Intere 417 | 564 | 8-500 167 | 1497 | 1-1400 | 1272 | 4.973 | 1-1400 | 1272 | 4.973 | 1-1400 | 1272 | 1272 | 1272 | 1-1400 | 1273 | 1-1400 | 1273 | 1-1400 | 1273 | 1-1400 | 1273 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1-1400 | 1 22,000-041,959 4.51 10,000-24,959: 3.71 10,000-24,959: 3.71 10,000-44,959: 3.00 10,000-44,959: 3.00 10,000-44,959: 3.00 10,000-44,959: 3.71 10,000-24,959: 3.71 10,000-24,959: 3.71 10,000-24,959: 3.71 10,000-24,959: 3.72 10,000-24,959: 3.72



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**AMERICA** 

# Strong upturn in Dow Short covering, Wall Street lift bourses after Fed stands pat

#### Wall Street

US stocks rallied yesterday morning as investors warmed to the Federal Reserve's decision to hold steady on interest rates, writes Frank McGurty in New York.

By I pm, the Dow Jones Industrial Average was 23.54 higher at 3.886.58, while the more broadly based Standard & Poor's 500 was up 3.22 at 465.27. The Nasdaq composite was 4.87 ahead at 760,24, while the American SE composite added 2.23 to 455.65.

Volume on the Big Board was fairly heavy, with some 191m shares traded by early

The strong upturn in share prices was essentially a follow-through to the relieved response to the Fed's inaction the previous session. Stocks, led by issues most sensitive to shifts in the economy, climbed steadily through the morning. in parallel with a solid advance by US government bonds.

The positive sentiment suggested that there had been some concern that an immediate move to lift interest rates could have set back the corporate sector at an unfortunate iuncture.

Even although the Fed now appeared poised to lift rates whenever it deemed appropriate, equity investors took advantage of the lull to lift share prices with just two more sessions remaining in the third quarter.

The economic news on offer yesterday morning was inconclusive. The Commerce Department said that orders of durable goods last month had jumped 6 per cent, against forecasts of a 3.8 per cent rise.

gain was linked to the trans-port sector, the most volatile component in the mix. That was enough to allow investors to brush aside the news and concentrate on a firmer dollar and a positive trend in bonds.

Heavy equipment manufacturers were among the strongest stocks. Caterpillar, a Dow industrial component, jumped \$2% to \$55%, while Deere climbed \$1% to \$69%. Clark Equipment added \$1 to \$69% and Eaton, a supplier of motor vehicle components, forged \$1 ahead to \$47%.

Cincinnati Milacron, a machine tool maker, bounded \$21/4 higher to \$26, a new 52week high. An upgrading by Merrill Lynch was the catalyst Gap Stores bounced back \$2 to \$33% thanks to favourable re-ratings by at least two Wall Street pundits. The stock had retreated during the previous

sessions when other analysts took the opposite view of the On the losing side, Masco-Tech dropped \$1% to \$11% after the industrial engineering concern reduced its earnings esti-

mate for the full year. In media, CBS shed \$9% to \$334% on reports that the television network was faring poorly in the fall viewer rat-

On the Amex, Atari surged \$1% to \$6%, a 22 per cent gain on the day. The improvement came on news that Sega Enterprises would buy 4.7m Atari shares as part of an broad strategic agreement between the two computer-game makers. On the Nasdaq, Roadway Services backpedalled \$3% to \$55%. After the close of trading

Antec, which makes prodworks, was marked down \$6\% to \$26% after issuing a profits warning.

#### Canada

Toronto was mixed at midday as tarnished gold issues offset gains in forest stocks and industrial products.

The TSE 300 composite index was up 3.30 at 4,364.08 at noon in volume of 28.9m shares. All but three of Toronto's 14 subindices were higher.
Forestry rose 1.2 per cent but

precious metals fell 1.0 per cent when Comex gold sagged as the market digested comments from a member of Russia's precious metals committee indicating that the country would cut its domestic gold price and lower exports.

Briskly traded shares included Nova Corp, C\$% higher at C\$14%.

#### Mexico

Mexico City fell rapidly as investors learned that the secretary-general of the ruling party, Mr Francisco Ruiz Massieu, had been shot and seriously wounded outside a hotel in the capital.

The IPC index of 37 leading

shares fell 62.08 or 2.2 per cent. to 2,756.35 by late morning. Mexican shares also turned sharply lower in US trading, but subsequently picked up from their worst levels, as the shooting, just seven months after the assassination of the ruling party presidential candidate, Mr Luis Donaldo Colosio. brought renewed concerns

#### Firm gold price aids S African recovery

on Tuesday, the trucking com-

pany announced a sharp

Johannesburg bounced back after two days of hefty decline as a firmer gold price pulled buyers back into the oversold market.

Gold bullion's rally, as well as gains for leading world markets, eased nerves after the negative inflation data, a bank rate rise, and weaker world markets that drove shares lower on Monday and Tuesday.

FT-ACTUARIES WORLD INDICES

The overall index recouped 56 at 5,639, after losing 172 points in the first two days of the week. Golds picked up 41 to 2,464 and industrials advanced 78 to 6,249.

De Beers collected a further 50 cents at R100. Anglos added R2 at R237 and Gencor put on 50 cents at R14.50. Amic recovered R5 to R190 after losing R13 on Tuesday.

	Dollar terms				Local currency terms			
Market	No. of	September 23 1994	% Change over week	% Change on Dec '93	September 23 1994	% Change over week	% Change on Dec '93	
Latin America	(209)	789.96	+2.6	+21.4				
Argentina	(25)	961.61	-1.6	-3.3	590,067.57	-1.6	-3.3	
Brazil	(57)	445.43	+3.9	+91.4	1,428,388,245	+3.9	+1,305.6	
Chile	(25)	736.84	-0.1	+33.5	1,220.15	-0.3	+28.0	
Colombia <sup>1</sup>	(11)	903.39	-2.0	+40.1	1,347.94	-0.2	+45.4	
Mexico	(68)	1,020.64	+29	+1.4	1,492.54	+2.1	+10.6	
Peru*	(11)	181.47	+15.3	+50.0	249.68	+15.3	+57.0	
Venezuela <sup>3</sup>	(12)	570.92	+0.9	-3.5	2,231.18	+0.9	+57.0	
Asia	(557)	285.95	-0.5	-1.7				
China <sup>4</sup>	(18)	107.35	-0.2	-28.1	115.75	-3.8	-29.5	
South Korea <sup>s</sup>	(156)	147.18	+3.3	+24.6	154.93	+3.5	+23.4	
Philippines	(18)	311.87	+2.5	-8,4	381,18	+0.0	-14.2	
Tajwan, Chinas	(90)	159.48	-1.0	+18.0	157.04	-0.9	+17.4	
India <sup>7</sup>	(76)	140.55	-2.6	+20.7	155,43	-2.6	+20.7	
Indonesia <sup>a</sup>	(37)	110.84	-3.3	-11.1	130,91	-3.4	-8.1	
Malaysia	(105)	322.32	-1.0	-4.9	304.09	-1.0	-9.8	
Pakistan <sup>a</sup>	(15)	406.77	+0.8	+4.9	564.90	+0.8	+7.0	
Sri Lanka <sup>to</sup>	(5)	208.29	+0.1	+17.5	223.91	-0.0	+17.3	
Thailand	(55)	438.08	+1.2	-8.3	434.17	-2.7	-10.1	
Euro/Mid East	(125)	115.98	+0.7	-31.5				
Greece	(25)	222.77	-0.2	-22	355,45	-0.0	-7.6	
Hungary**	(5)	178.89	+0.2	+7.3	232.31	-0.1	+15.1	
Jordan	(13)	152.58	-0.6	-7.8	218.75	-0.6	-8.6	
Poland <sup>2</sup>	(12)	562.62	-6.3	-31.2	821.36	-5.8	-25.6	
Portugal	(25)	123.84	-2.9	+8.8	134,42	-24	-2.7	
Turkey <sup>a</sup>	(40)	112,38	+4.2	-47.1	1,798,56	+5.1	+23.6	
Zimbabwe <sup>u</sup>	(5)	263.77	+0.3	+30.5	323.02	+0.7	+51.2	
Composite	(891)	377.84	+1.1	+6.2	·			

Lima put in a sharply higher performance last week as foreign interest in the market was ignited by a \$45m offering of ADRs in Banco Wiese on the New York Stock Exchange, the first ever international offering for a Peruvian equity.

Exchange, the first ever international offering for a Peruvian equity.

The issue was reported to have been 20 times oversubscribed, with the price rising to a 16.5 per cent premium on the first day of trading.

Foreign & Colonial Emerging Markets notes that Lima's positive mood was also helped by news that talks with foreign commercial creditors would resume following official recognition of all outstanding debts.

The result was a 19.4 per cent increase on the week in average daily turnover to \$15.5m, according to figures from the Lima exchange. Wiese, Peru's second largest bank, surged 25.5 per cent on the week in domestic trading, pulling Banco de Credito, the country's largest bank, 17.7 per cent higher in its wake.

Short covering lifted bourses in the morning, and Wall Street offered support in the late afternoon, writes Our Markets Staff.

PARIS started well, the CAC-40 index peaking at 1,925.99. It ran into trouble after lunch, rumours of a big seller in futures taking the index down fast to a low of 1,889.16, but rallied thereafter to close 3.67 higher at 1,904.95 in turnover of FFr3.19bn.

Rumours also produced the main individual feature, LVMH rising FFr38 or 4.2 per cent to FFr889 on talk that a bank was buying the shares for the Christian Dior holding company. Other winners included Peugeot, up FFr9 to FFr781, as analysts revised their forecasts following this week's figures, said Mr Prederick Sauvegrain at broker Ferri International. Among financials, Société Générale rose FFr6 to FFr540 after a good first-half report. and Crédit Lyonnais recovered FFr8.20 to FFr382.20 after its

Losers included Lafarge Coppée, down FFr4.40 to FFr419.50 after a satisfactory first half; GAN, the insurance company, off FFr11 at FFr290 on a profits warning, and Vallourec, the metal fabricator, down FFr30 or 9.4 per cent at FFr290 after

report on first-half losses.

#### FT-SE Actuaries Share Indices THE EUROPEAN SERIES House changes 11.00 11.30 12.00 13.00 14.00 16.00 Clase FT-SE Europeck T00 1347-28 1348.49 1346.42 1345.87 1345.89 1345.03 1345.44 1346.01 FT-SE Europeck 200 1387.05 1388.84 1387.13 1387.06 1387.15 1387.35 1388.78 1388.74 San 27 San 26 San 23 San 22 San 21 1343,73 1340.34 1334.32 1377.84

barely breaking even in the first six months. FRANKFURT followed its pattern of recent days, with share prices led by bund futures and activity restrained by the pending German elec-tions. The Dax index rose 9.39

to 2,068.11 as turnover rose

from DM5bn to DM5.3bn. Metaligesellschaft staged one of its occasional rebounds, closing DM11.50 higher at DM130 following its drop from DM211 at the end of August. In pharmaceuticals. Schering's rise of DM17.50 to DM964.50 fitted into a pattern of recent

share price volatility. The star performer, once again, was SAP in computer software, up DM25 at a new closing high of DM899 after a DM24 gain on Tuesday. The stock had risen by more than 200 per cent in the past year, noted Mr Jens Wiecking of Merck Finck in Düsseldorf, adding that it was now looking expensive with a high market MILAN remained in mostly confident mood in response to the cabinet's approval of 1995 budget measures, and the Comit index rose 12.64 or 1.9 per cent to 698.55, shrugging off the general strike called for

partners, gave notice of its opposition to elements of the proposed pension reforms. Hopes of improved first-half figures from Fiat today also

L75 at L2,150.

October 14 by unions opposed to pension cuts.
Prices edged back from their best levels late in the day, however, after the Northern League, one of the coalition

vided support. Fiat rose L53 to L6,825 and Olivetti was up Telecom Italia was up L157

at LA,560 after Tuesday's posi-tive first-half results and Stet climbed 1.250 to 1.4.935 ahead of its first-half figures, due out later that day.

BCI was L122 higher at

L4,095 on barely changed first-half results, while Credito Italiano rose L42 to L2,250. ZURICH edged higher, the SMI index rising 9.0 to 2,590.0.

Banks, under pressure in recent sessions, were the biggest beneficiaries of the easing worries about interest rates, with SBC up SFr4 to SFr370. Among insurers, Swiss Rein-

surance was up SFr12 at SFr638, lifted by some bargain hunting after being sold earlier in the week on uncertainty ahead of Friday's first-half earnings announcement Swissair picked up SFr17 to SFr852 amid recurring talk that it might soon announce an alliance with another Euro-

nean carrier. AMSTERDAM recovered on the back of German bunds, the AEX index rising 4.45 to 405.11. BolsWessanen picked up Fl 1.70 or 5.1 per cent to Fl 35.00 after the company announced it had reached an agreement to acquire at least 33 per cent of

the Italian drinks maker

Davide Campari Milan. Gist Brocades, the biochemical group, added 90 cents at Fl 45.00 on the sale of its unprofitable yeast making DSM gained FI 3.10 at FI 154.60 following a positive presentation to analysts. MADRID's relief on interest rates took the general index back through 300 with a rise of

4.74 to 301.98.
ADR stocks reflected a good morning on Wall Street, with Telefónica up Pta45 at Pta1,760, Repsol by Pta85 at Pta3,950 and Edndesa Ptal00 better at

BRUSSELS drew inspiration from the Fed's decision to leave US interest rates unchanged and the Bel-20 index rose 13.52 to 1,398.47.
Arbed, the Luxembourg steelmaker, rose a further BFr5,000 in response to its announcement on Tuesday that it had priced, and sold a im share private international

and on news of its positive earnings outlook TEL AVIV followed Sunday's 2.8 per cent fall, and two days' holiday, with a 2.7 per cent drop, the Mishtanim index falling 5.12 to 186.68. On Sunday afternoon, Israel's central bank raised its basic lending rate by 1.5 percentage points to 15.5 ner cent.

offering at BFr4,550 a share,

Written and edited by William

## Nikkei rises mildly, regaining 19,500 mark

#### Tokyo

Stepped-up corporate and public fund buying helped stocks post a modest recovery in a quiet trading session, writes Robert Potton in Tokyo. The Nikkei 225 average rose

38.71 to 19,507.60, just above the 19,500 mark breached by Tuesday's 345.47 drop. The market traded in a relatively narrow range from a high of 19,566.01 to a low of 19,479.20.

Advancing issues outnumbered declines by 541 to 432, with 206 stocks unchanged. Brokers attributed the rally to technical factors and the renewed participation of public funds, which had remained on the sidelines on Tuesday. Trading volume improved from 231.7m shares to 280m.

The Topix index of all first section stocks ended 6.84 up at 1.569.59, but the second section index was off 12.00 at 2.219.43. The Nikkei 300 firmed 1.15 to 287.19 and, in London, the ISE/

Japan Telecom fell for the third day this week, closing below Y4m for the first time since its listing on September The closely watched new issue shed Y70,000 to Y3.95m. Investors who bought the stock in a pre-listing public offering and auction paid between Y4.7m and Y6.6m. Some brokers felt that many were now selling to cut mounting losses.

Rising gold prices took Sumi-tomo Mining up Y26 to Y980 in the day's highest volume of 8.2m shares. Steelmakers were heavily represented among active stocks. Nippon Steel, the second most active, ended flat at Y385, but Kawasaki Steel rose Y6 to Y438 and Kobe Steel inched up Y1 to Y327.

Automobile shares made a strong showing. Toyota Motor gained Y20 at Y2,030, Nissan Motor Y8 at Y794 and Honda Y30 at Y1,630. Major trading houses also gained ground. Ito-chu moved ahead Y17 to Y712 and Sumitomo Y22 to Y970.

Matsushita Electric Industrial receded Y20 to Y1,580 after Tuesday's news that it would issue two domestic convertible bonds totalling Y200bn. Other electricals fared better. Hitachi rose Y7 to Y962,

Y775 and NEC Y10 to Y1,180. In Osaka the OSE average advanced 16.11 to 21.859.98 in volume of 39.7m shares.

#### Roundup

Unchanged US interest rates after yesterday's FOMC meeting had only a limited effect on the region. Taiwan was closed for a holiday.

SINGAPORE used the US Federal Reserve's decision as an excuse to go bargain hunting, and investors who had sold on expectations of a US interest rate rise were forced to cover sizeable short positions. The Straits Times Industrial index moved up 40.85 to

2,330.69, with an estimated 283m shares traded. Malaysian shares traded over

the UOB-OTC index closed 9.39 down at 1,267.76. MBf Capital led the actives, falling 18 cents to S\$1.88 in more than 24m shares dealt, while Samanda Holdings dropped 85 cents to S\$5.60 after news that its attempt to take a stake in MBf Capital had failed.

HONG KONG closed off its highs in thin trade, but buying linked to the September index futures settlement today helped the Hang Seng index finish a net 83.25 up at 9,693.49 after touching 9,747.45. Turnover edged up to HK\$2.98bn from HK\$2.96bn.

The Hang Seng H-share index jumped 31.62 or 2.3 per cent to 1,409.68. Analysts said shares in Chinese-incorporated companies were rebounding from recent weakness

meanwhile, closed just over 5 per cent better, up 45.36 at 943.22 in turnover of Yn3.62bn, on hopes for positive market news from the fourth plenary session of the 14th central committee of the Chinese Communist party in Bailing.

SYDNEY stayed uncertain over the direction of interest rates, and the All Ordinaries index ended only 0.4 up at 2,014.2. Brokers said the market was disappointed that the US Fed left interest rates unchanged, and that they would have to rise sooner or later. WELLINGTON declined on high existing interest rates, the NZSE-40 Index slipping 14.98 to 2.068.60.

MANILA took a sharp tumble and Wall Street was partly shed 8.77 to 1,140.83 at to blame. PLDT dropped by 2.7 morning high of 1,158.88.

per cent to 1,420 pesos following its \$1% slide to \$56% in New York overnight. Brokers blamed foreign exchange appreciation in recent weeks. The composite index fell 56.58 to 2,877.69. The other main contributor to the fall was Meralco "A", 3.6 per cent lower at 267.50 pesos because a state pension fund offer of shares to its members at 250 pesos was encouraging arbit-

SEOUL saw profit-taking, the composite index dipping 12.22 to 1,039.79. BOMBAY was still shaken by plague fears and the BSE 30-share index lost 37.78 to end at a provisional 4,406.83. KUALA LUMPUR encountered heavy afternoon profit-taking and the KLSE composite index shed 8.77 to 1,140.83 after a

#### September 29, 1994

MeesPierson is pleased to announce that, as of today, it will fully participate in the new advertising screen 'ASSET' (Amsterdam Stock Exchange Trading System) for the full range of active shares introduced on ASSET:

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KLM KNP BT Royal Dutch **KPN** 

Nedlloyd

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